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PEOPLE ON THE MOVE: GLOBAL MIGRATION'S IMPACT AND OPPORTUNITY

DECEMBER 2016

HIGHLIGHTS

Corridors and characteristics

Effects on GDP, productivity, and employment

Better integration outcomes

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25

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Recent reports have assessed prospects for the Chinese economy, income inequality in advanced economies, the outlook for Africa, and the potential of digital finance in emerging economies. MGI is led by four McKinsey & Company senior partners: Jacques Bughin, James Manyika, Jonathan Woetzel, and Frank Mattern, MGI's chairman. Michael Chui, Susan Lund, Anu Madgavkar, and Jaana Remes serve as MGI partners. Project teams are led by the MGI partners and a group of senior fellows, and include consultants from McKinsey offices around the world.

These teams draw on McKinsey's global network of partners and industry and management experts. Input is provided by the MGI Council, which co-leads projects and provides guidance; members are Andres Cadena, Richard Dobbs, Katy George, Rajat Gupta, Eric Hazan, Eric Labaye, Acha Leke, Scott Nyquist, Gary Pinkus, Shirish Sankhe, Oliver Tonby, and Eckart Windhagen. In addition, leading economists, including Nobel laureates, act as research advisers.

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PEOPLE ON THE MOVE: GLOBAL MIGRATION'S IMPACT AND OPPORTUNITY

DECEMBER 2016

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PREFACE

Global migration is now at the center of policy debates in countries around the world—and while it is fair to have these debates, it is critical to ensure they are based on facts and evidence. The McKinsey Global Institute (MGI) has undertaken an ambitious research effort to understand the patterns and economic impact of people moving across the world's borders. Combining an extensive review of hundreds of existing studies with expert interviews and our own economic analysis, we look at both voluntary and forced migration across more than 200 countries. We aim to provide a global perspective that is often missing from the current conversation, looking at broader migration patterns and specific population segments. Our research analyzes the impact of migration on labor markets and wages, on the global economy, on destination and origin countries, and on both native-born populations and migrants themselves.

This report underscores the fact that real economic benefits are at stake. The movement of people to regions where they can be more productive boosts output; many of the world's leading destinations are also aging societies that can benefit from the labor force growth and improved old-age dependency ratios that an influx of immigrants can bring. Realizing the benefits of immigration hinges on how well new arrivals are integrated into their destination country's labor market and society, and these outcomes have ripple effects that persist well into the second and third generations. Yet policy discussions surrounding immigration in many countries tend to focus on determining the right numbers and mix of people to admit rather than finding the right formula for integration.

Beyond examining the economic impact of global migration, it is our goal to start a deeper conversation about what constitutes successful integration. While this report does not delve into the humanitarian aspects of migration or the many political ramifications that are playing out in countries around the world, we outline a framework for thinking about integration—one that encompasses closely linked economic, social, and civic dimensions as well as labor market outcomes. We also present a menu of pragmatic and promising initiatives from around the world that offers useful models for consideration. MGI hopes to provide evidence and insight that can assist actors across the public, private, and social sectors as they wrestle with one of the most complex issues of our day—one that is only going to gain urgency and magnitude in our more globalized world.

This research was led by Jonathan Woetzel, an MGI director based in Shanghai; Anu Madgavkar, an MGI partner based in Mumbai; Khaled Rifai, a McKinsey partner based in New York; Amadeo Di Lodovico, a McKinsey senior partner based in Dubai; Jacques Bughin, an MGI director based in Brussels; Frank Mattern, a McKinsey senior partner and chairman of MGI, based in Frankfurt; James Manyika, an MGI director based in San Francisco; and Tarek Elmasry, a McKinsey senior partner based in Dubai. The project team, led by Ashwin Hasyagar, included Jerren Chang, Karan Soni, Poppy Yang Tian, and Ravi Ram. Lisa Renaud served as senior editor. Sincere thanks go to our colleagues in operations, production, research, and external relations, including Tim Beacom, Marisa Carder, Matt Cooke, Deadra Henderson, Richard Johnson, Karen Jones, Konstantin Jungling, Julie Philpot, Rebeca Robboy, and Margo Shimasaki.

This project benefited immensely from McKinsey colleagues sharing their expertise and insights. We are grateful to Zafer Achi, André Andonian, Ingo Beyer von Morgenstern, Bjarne Corydon, Richard Dobbs, Katharina Ecker, David Fine, Ian Gleeson, Viktor Hediger, Vivian Hunt, Pablo Illanes, Mike Kerlin, Eric Labaye, Acha Leke, John Means, Jean-Christophe Mieszala, Gary Pinkus, Vivian Riefberg, Sarah Seidl, Sven Smit, Kevin Sneader, Oliver Tonby, Leonardo Totaro, and Eckart Windhagen.

We are grateful to many experts who challenged our thinking and provided valuable feedback and guidance throughout the research. We thank our academic advisers Martin Baily, the Bernard L. Schwartz Chair

in Economic Policy Development and Senior Fellow and Director of the Business and Public Policy Initiative at the Brookings Institution; and Richard Cooper, the Maurits C. Boas Professor of International Economics at Harvard University. We gratefully acknowledge other leading migration experts who have made significant contributions to our understanding: Ian Goldin, Oxford University Professor of Globalisation and Development; Khalid Koser, executive director of the Global Community Engagement and Resilience Fund; and Giovanni Peri, professor and department chair of the Department of Economics at the University of California at Davis.

We owe special thanks to the International Organization for Migration (IOM) and, in particular, Fernando Calado, Leonard Doyle, Marie McAuliffe, Frank Laczko, June Lee, and Ovais Sarmad for their overall guidance and valuable input. We especially thank the IOM and its offices in Germany and Italy for facilitating the creation of a series of portraits of migrants by McKinsey data visualization senior editor, journalist, and artist Richard Johnson, as part of a joint project to create visual assets by MGI and IOM's *i am a migrant* campaign. These snapshots reveal a diverse group of people at varying stages of their respective journeys. This report contains a small sample, and we invite you to view the broader collection of portraits in our gallery at **www.mckinsey.com/mgi**. Read more stories at **http://iamamigrant.org**, part of the United Nations' *Together* campaign: **http://refugeesmigrants.un.org/together**.

We are grateful to many others who generously shared their insights and reactions with us. They include Karen Abuzayd, Special Adviser on the Summit on Addressing Large Movements of Refugees and Migrants, and Izumi Nakamitsu, Assistant Secretary-General and Assistant Administrator for Crisis Response at the United Nations Development Programme; Kaysie Brown, Susan Myers, Jenna Slotin, and Mara van Loggerenberg from the United Nations Foundation; David Donoghue, Permanent Representative of Ireland to the United Nations and co-chair of the United Nations Summit on Migrants and Refugees; Andrea Milan, Alison Rowe, and Papa Seck from UN Women; and Cecile Riallant from the European Commission-United Nations Joint Migration and Development Initiative. We also thank Fiona Gedeon Achi, PhD candidate in anthropology at McGill University; Samer Bagaeen, Paul Nelson, and Vittoria Zanuso from 100 Resilient Cities at the Rockefeller Foundation; Sean Hinton, Andrew Kramer, Shruti Mehrotra, and Robin Varghese from Open Society Foundations; Andrew Lim and Angela Marek from the Partnership for a New American Economy; and Lavinia Limon from the United States Committee on Refugees and Migrants.

This report contributes to MGI's mission to help business and policy leaders understand the forces transforming the global economy, identify strategic locations, and prepare for the next wave of growth. As with all MGI research, this work is independent and has not been commissioned or sponsored in any way by any business, government, or other institution. We welcome your comments on the research at **MGI@mckinsey.com**.

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IN BRIEF

GLOBAL MIGRATION'S IMPACT AND OPPORTUNITY

Migration is a key feature of a more interconnected world. Despite significant concerns about its economic and social implications, the movement of people across the world's borders boosts global productivity. The countries that prioritize integration stand to make the most of this potential—improving outcomes for their own economies and societies as well as for immigrants themselves.

- More than 90 percent of the world's 247 million cross-border migrants moved voluntarily, usually for economic reasons. The remaining 10 percent are refugees and asylum seekers who have fled to another country to escape conflict and persecution. Roughly half of these 24 million refugees and asylum seekers are in the Middle East and North Africa, reflecting the dominant pattern of flight to a neighboring country. But the recent surge of arrivals in Europe focused the developed world's attention on this issue.
- Roughly half of the world's migrants have moved from developing to developed countries, where immigration is a key driver of population growth. From 2000 to 2014, immigrants contributed 40 to 80 percent of labor force growth in major destination countries.
- Workers moving to higher-productivity settings boosts global GDP. MGI estimates that migrants contributed roughly $6.7 trillion, or 9.4 percent, to global GDP in 2015—some $3 trillion more than they would have produced in their origin countries. North America captured up to $2.5 trillion of this output, while up to $2.3 trillion went to Western Europe. Migrants of all skill levels make a positive economic contribution, whether through innovation, entrepreneurship, or freeing up natives for higher-value work.
- Employment rates are slightly lower for immigrants than for native workers in top destinations, but this varies by skill level and by region of origin. Refugees typically take longer than voluntary migrants to integrate into the destination country. Immigrants generally earn higher wages by moving, but many studies have found their wages remain some 20 to 30 percent below those of comparable native-born workers.
- Extensive academic evidence shows that immigration does not harm native employment or wages, although there can be short-term negative effects if there is a large inflow of migrants into a small region, if migrants are close substitutes for native workers, or if the destination economy is experiencing a downturn.
- The costs of managing entry are typically less than 0.2 percent of GDP across major destinations but can escalate when there is a large wave of refugees. Most studies indicate that immigrants have a small but net positive fiscal impact in their destination countries and play a positive role in easing pension burdens.
- The economic, social, and civic dimensions of migrant integration need to be addressed holistically. An examination of 18 major destination countries reveals that not a single one is addressing all three of these aspects effectively. We identify more than 180 promising interventions from around the world that can improve integration outcomes. Some of their guiding principles include changing the narrative to recognize the economic opportunity inherent in immigration; beginning integration interventions early and sustaining them over the long term; empowering local stakeholders to implement initiatives that work for their communities; making integration a two-way process between native-born and immigrant communities; and building partnerships with the private sector and NGOs.

Narrowing the wage gap between immigrant and native workers from 20–30 percent to 5–10 percent through better economic, social, and civic integration would translate into an additional $800 billion to $1 trillion in global output annually. The success or failure of integration across areas such as employment, education, health, and housing can reverberate for many years, influencing whether second-generation immigrants become fully participating citizens or remain in a poverty trap.

People on the move: Global migration's impact and opportunity

247 million people live outside their country of birth

90% are voluntary or economic migrants, while **10%** are refugees or asylum seekers

50% have moved from developing to developed countries

35% are high-skill migrants with tertiary education or above

Economic impact of migrants

Labor force

40–80% of labor force growth in top destinations between 2000 and 2014 was contributed by migrants

GDP

Migrants contributed **9.4%** of global GDP, or **$6.7 trillion**—some $3.0 trillion more than they would have produced in their origin countries

Productivity

Migrants of **all skill levels** contribute to the productivity effect in top destinations

Employment

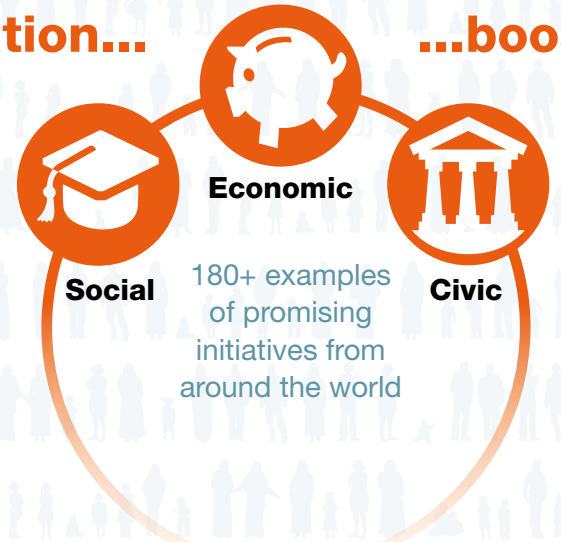
Migrants **do not harm** the long-run employment or wages of native workers

Wages

The average wage gap between native and migrant workers with similar skills is **20–30%**

Holistic integration...

Successful integration has **3 critical, interlocked dimensions**



...boosts global GDP

Better integration outcomes could increase the economic contribution of migrants by up to **$1 trillion** annually

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EXECUTIVE SUMMARY

The act of leaving behind everything that is familiar to start over in another country is a leap of faith. That leap has been taken by approximately a quarter of a billion people who have left their birthplace and now live in another country where they hope to build a better life. While conflict has forced some of them to flee their homes, the vast majority move across borders voluntarily.

3.4%
Migrants as a share of the world's population

9.4%
Share of global GDP contributed by migrants

Our analysis finds that in 2015, the world's 247 million cross-border migrants contributed 9.4 percent of global GDP, or roughly $6.7 trillion worldwide—some $3 trillion more than they would have produced in their origin countries. This occurs largely because migration moves labor to more productive regions and occupations. Highly skilled professionals are not the sole source of this productivity effect; low- and medium-skill migrants similarly contribute. Their presence can enable destination countries to achieve growth by expanding their workforces and filling in labor force gaps. A large body of research has shown that immigrants have a negligible impact on the wages and employment of native-born workers and on the fiscal resources of destination countries.

Despite these long-term benefits, the short-term challenges can be significant. To some citizens of destination countries, migrants represent competition for jobs and scarce fiscal resources or even a potential threat to social cohesion. There is growing opposition to immigration, particularly in developed economies facing slow growth, rising inequality, and structural changes in their labor markets. In some places, there is heated political debate about accepting immigrants, even in economies that could benefit from the labor, innovation, entrepreneurial energy, and dynamism they can bring. Countries around the world will need to have these debates—but ensure they are based on evidence. It will also be critical to look at whether the right interventions are in place to smooth the way to successful integration.

Governments cannot afford to be merely reactive or to assume the integration process will take care of itself over time. There are substantial benefits at stake. Making a clear improvement in the way immigrants integrate into destination countries—not only in terms of employment but also in areas such as education, housing, health, and community engagement—could add $800 billion to $1 trillion to the global economy annually.

Despite the misgivings and controversy surrounding it, cross-border migration is a natural outcome of a more interconnected world and a global labor market. This report aims to provide needed clarity on some fundamental questions: Who are the world's migrants? Where do they come from, and where do they go? What are the numbers today, and what does the future trajectory look like? What are the economic costs and benefits? And what can both the public and private sectors do to smooth the way for immigrants to integrate more fully into societies around the world?

65%
of the world's migrants live in developed countries

MIGRATION IS INCREASING, AND MOST FLOWS CONSIST OF PEOPLE MOVING FROM DEVELOPING TO DEVELOPED REGIONS

As of 2015, approximately 247 million people lived in a country not of their birth—a number that has almost tripled in the past 50 years.[1] Over the past 15 years alone, the total number of migrants worldwide has increased by 74 million. Most of them gravitate to places where they believe they will find jobs and opportunity. As of 2015, approximately 65 percent of the world's migrants were residing in developed economies. About half of all migrants globally have moved from developing to developed countries—in fact, this is the fastest-growing type of migration flow (Exhibit E1). Migration to developing countries, though a smaller share of the global total, is still very significant. Some 79.6 million people, or almost one-third of the world's migrants, have moved from one developing country to another.

Roughly 80 percent of the world's migrants originally hail from developing regions. The top three regions of origin are developing Latin America, which accounts for approximately 18 percent of the global total, developing Eastern Europe and Central Asia (16 percent), and the Middle East and North Africa (14 percent). India, Mexico, and China are the leading countries of origin, but outside of this small group, no single country accounts for more than 3 percent of the world's migrants (Exhibit E2).[2]

While migrants come from all corners of the globe, their destinations are more concentrated. Just five regions—Western Europe, North America, the Gulf Cooperation Council (GCC) states, Oceania, and developed East and Southeast Asia—have collectively attracted 87 percent of the 160 million migrants who reside in developed destinations. At the country level, the top ten nations have accounted for 60 percent of the growth in total migrants in developed countries since 2000. In sheer numbers, the United States tops the list of destinations. In 2015, it was home to some 47 million immigrants, or 19 percent of the world's total migrant population.

While some migrants have traveled long distances from their origin countries, more than 60 percent of global migration still consists of people moving to neighboring countries or to countries in the same part of the world. In fact, nine of the top ten corridors globally, including Mexico to the United States, connect neighboring countries. At the regional level, the most heavily traveled corridor is from developing Latin America to North America. There are also major short-haul corridors linking neighboring developing countries.

Migration is replacing fertility as the primary driver of population growth in key developed regions worldwide. Since 2000, growth in the total number of migrants in developed countries has averaged 3.0 percent annually, far outstripping the 0.6 percent annual population growth in these nations. Migrants also make up a major share of the population in the developed world. Today, first-generation immigrants constitute 13 percent of the population in Western Europe, 15 percent of the population in North America, and 48 percent in the GCC countries.

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1 We discuss migration in terms of stock numbers (the total number of foreign-born people in a particular destination) as opposed to flows, or how many people move across borders in a given year. This report relies on data from the United Nations Department of Economic and Social Affairs (UNDESA). It is likely that these data include some irregular migrants but do not capture their full numbers. Note that second- and third-generation migrants are considered natives in their countries of birth. We segment the 232 countries listed in the UNDESA international migration stock 2015 revision into 15 regions that are categorized as either "developed" or "developing," based on income level definitions used by the World Bank.

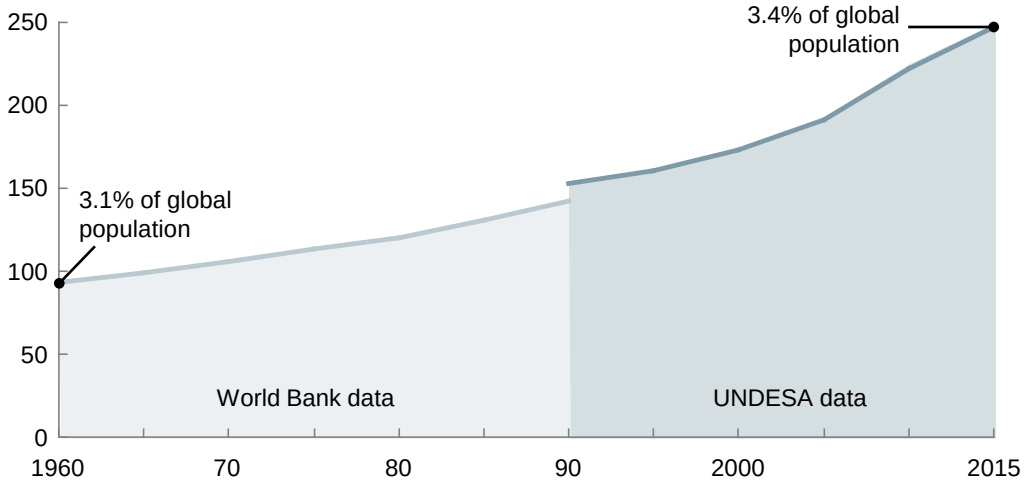
2 Russia appears as the third-highest country of origin in UN statistics, but this is largely attributable to migration during the Soviet era. After the breakup of the USSR in 1990, many people who had moved within the union were reclassified as migrants after the redrawing of national borders. Given that the stock number has been stagnant over the past 25 years, we consider Russia an outlier.

Once they arrive in their destination country, migrants overwhelmingly remain in cities, where they are significant drivers of both urban population growth and economic growth. Some 92 percent of immigrants in the United States live in urban areas, as do 95 percent in the United Kingdom and Canada, and 99 percent in Australia. In cities, they are more likely to gain a foothold by joining large numbers of fellow immigrants in communities where they find a familiar language and support networks.

Exhibit E1

Migration has been a consistent historical trend, with growth driven by the movement from developing to developed countries

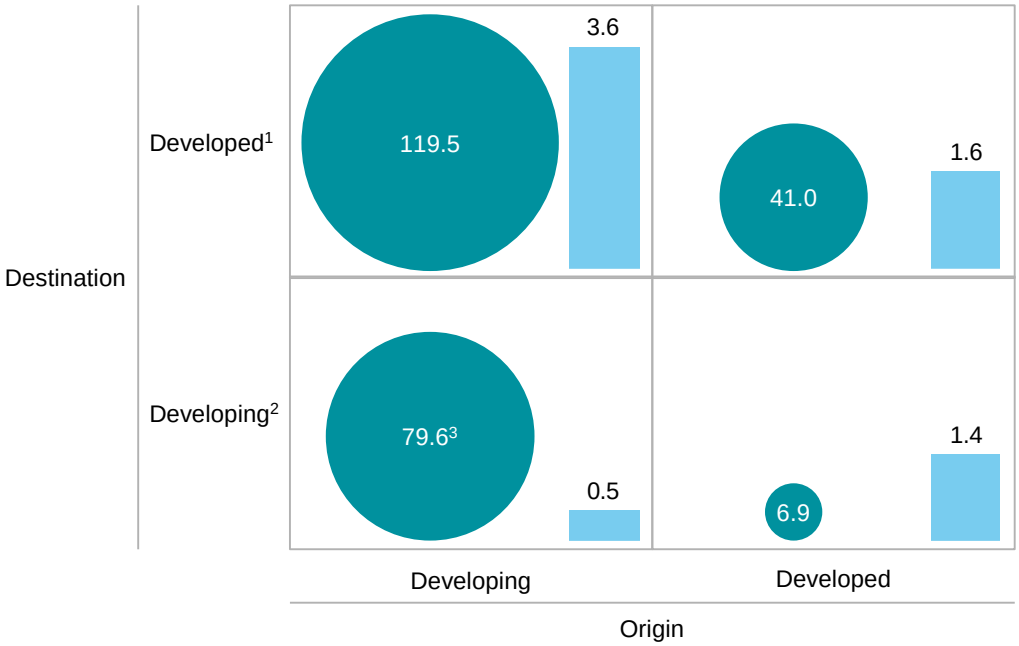
Global international migrants
Million



Migrant population and growth by origin and destination development level

Population, 2015
Million

Compound annual growth rate, 1960–2015
%



1 Includes all high-income and major developed countries. Includes two million migrants in Israel and Cyprus from the developing region of the Middle East and North Africa.
2 Includes low-income, lower-middle income, and upper-middle income countries, per World Bank classifications.
3 Changes in developing to developing are primarily driven by fluctuations in forced migration.
NOTE: Some 11.1 million migrants from unknown origins or with unknown development levels are assumed to come from developing origins.

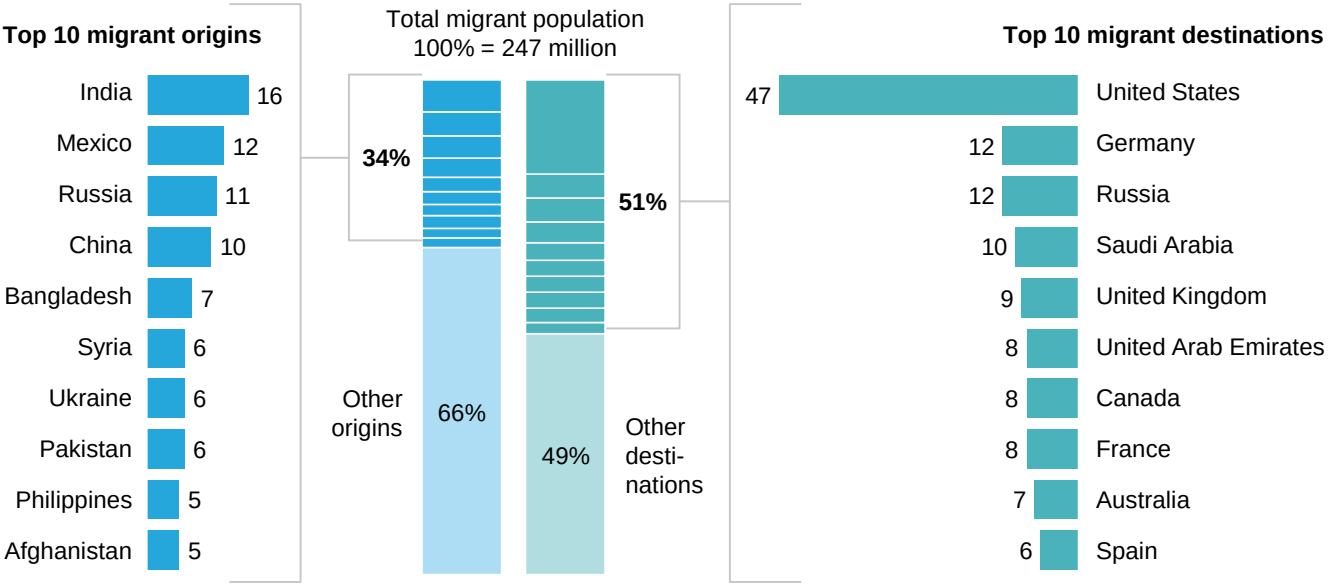
SOURCE: UNDESA; World Bank; McKinsey Global Institute analysis

Exhibit E2

India is the top origin country, and the United States is the top destination

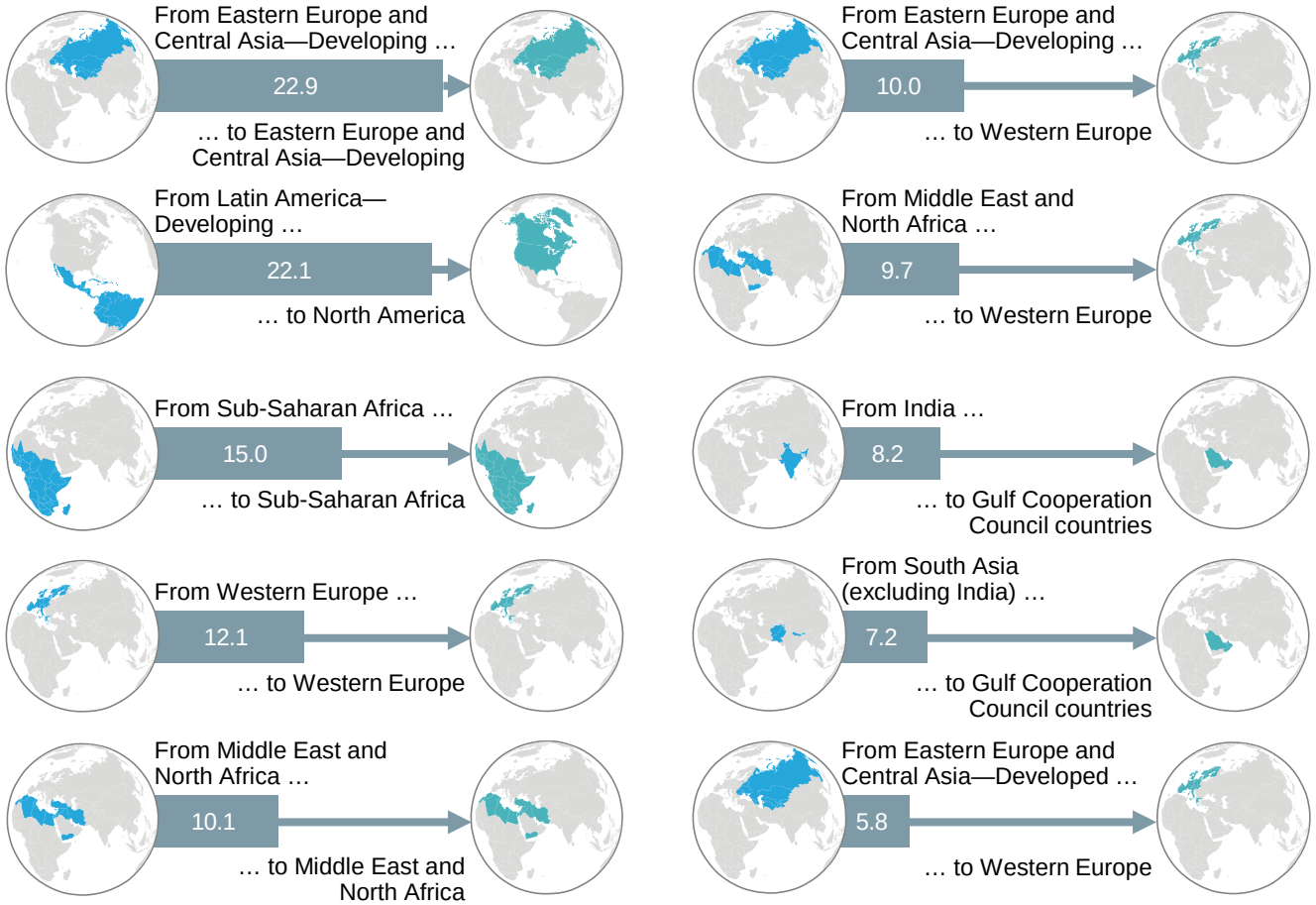
The top 10 migrant origins and destinations

Million



The top ten movements[1]

Total migrant population, million



1 Includes both interregional and intraregional movement.
NOTE: Numbers may not sum due to rounding.

SOURCE: UNDESA; World Bank; McKinsey Global Institute analysis

FOR TOP DESTINATIONS, IMMIGRANTS ARE AN IMPORTANT SOURCE OF LABOR

In addition to driving population growth, migrants make up a substantial share of the labor force in destination regions. From 2000 to 2014, they provided approximately 48 percent of labor force growth in the United Kingdom, 45 percent in Spain, 42 percent in Canada, and 37 percent in the United States.

As the labor market has become more global, many countries have come to rely on foreign workers to fill occupational shortages. In Saudi Arabia, for example, approximately eight million foreign workers account for almost a third of the country's population and a remarkable 85 percent of its labor force. In this case, they provide physically demanding labor in sectors such as construction, where nine out of ten workers are foreign-born. But they also fill gaps in fields that demand a high degree of education and professional training. Some 200,000 health specialists from abroad constitute two-thirds of all health professionals in the country.[3]

MOST MIGRANTS ARE LOW- AND MEDIUM-SKILL WORKERS WHO MOVE VOLUNTARILY, BUT REFUGEE FLOWS HAVE SPIKED IN RECENT YEARS

Broadly grouping migrants based on why they made the decision to leave their country of origin is useful, as it can help shape policy responses based on the root causes of movement. These causes affect the circumstances surrounding the arrival of migrants, their legal status, the assets and networks they may possess, and their likelihood of return.

For this reason, we look at two primary types of migrants: voluntary migrants, and refugees and asylum seekers. We consider voluntary migrants those who moved primarily to pursue economic opportunity, while refugees and asylum seekers are those who were compelled to flee to another country.[4] Refugee flows are part of a broader phenomenon of forced migration, some of which encompasses migrants who may not be legally defined as refugees or asylum seekers but whose moves involved some degree of coercion (as is the case with victims of trafficking, those who moved to escape extreme hunger, or those who are forced to stay in a new country of residence against their will).[5] It must be noted that the distinction between forced and voluntary migration is not always clear and unambiguous. Even so-called "voluntary" migrants may have been at least partially forced to move by difficult economic, social, or physical conditions in their country of origin. Conversely, the

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3 *Saudi Arabia beyond oil: The investment and productivity transformation*, McKinsey Global Institute, December 2015.

4 MGI uses definitions and data from the United Nations High Commissioner for Refugees (UNHCR) to distinguish voluntary migrants from refugees and asylum seekers. The UNHCR defines *asylum seekers* as individuals who have sought international protection and whose claims for refugee status have not yet been determined. The UNHCR defines *refugees* in accordance with the 1951 Convention on the Status of Refugees as "a person who owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it." This means that the determination of who constitutes a refugee is made on the basis of objective circumstances in the country of origin. The International Organization for Migration (IOM) adopts the same definition of a refugee as the UNHCR, but defines an asylum seeker as "a person who seeks safety from persecution or serious harm in a country other than his or her own and awaits a decision on the application for refugee status under relevant international and national instruments."

5 The data on forced migration in this report pertain only to refugees and asylum seekers as defined by the UNHCR, although MGI acknowledges that refugees and asylum seekers are not the only forced migrants. The decision to grant refugee status is often political, and many people fleeing conflict do not fit the legal definition. The IOM, for example, defines forced migration more broadly as "a migratory movement in which an element of coercion exists, including threats to life and livelihood, whether arising from natural or man-made causes (e.g., movements of refugees and internally displaced persons as well as people displaced by natural or environmental disasters, chemical or nuclear disasters, famine, or development projects)." However, due to data availability, MGI takes global estimates and definitions of refugees and asylum seekers from the UNHCR. Irregular migration is also not addressed in this category, unless already contained within UNHCR estimates.

very act of migration implies some degree of agency and independent action in leaving one's home and moving to a specific destination, even if someone feels forced into it.[6]

Based on UNHCR definitions, the vast majority of the world's migrants—about 222 million, or more than 90 percent—have moved across borders voluntarily.[7] Voluntary flows are typically shaped by the entry policies set by destination countries; they can be adjusted based on quotas, types of visas offered, and the selectivity applied to applications. Voluntary migration flows are usually gradual, placing less stress on logistics and the social fabric of destination countries than forced migration.

Most voluntary migrants are working-age adults, a characteristic that helps to raise the share of the population that is economically active in destination countries. Almost half of them are women. About 60 million worldwide have tertiary education; many of them are working professionals or successful entrepreneurs who move to another country for more than five years. But the biggest group by far, which we estimate at about 160 million people worldwide, comprises low- and medium-skill long-term migrants.[8]

Because forced migrations, and refugee flows in particular, occur in response to humanitarian crises, they are unplanned and result in large spikes within short time periods. They often necessitate enhanced security and border control in addition to other logistical challenges for the destination countries. Refugees and asylum seekers tend to be less heavily skewed toward those of working age than economic migrants, given that people of all ages are often forced to flee in the face of conflict.

24M
refugees and asylum seekers worldwide in 2015

By the end of 2015, there were about 24 million refugees and asylum seekers worldwide, comprising about 21 million refugees and three million asylum seekers. They make up 10 percent of the world's total migrants. Crises in Africa and Asia have created some 80 to 90 percent of the world's refugees and asylum seekers over the past 25 years. Just seven countries have produced two-thirds of the world's cross-border refugees: the State of Palestine (21 percent), Syria (21 percent), Afghanistan (12 percent), Somalia (5 percent), South Sudan (3 percent), Sudan (3 percent), and the Democratic Republic of the Congo (2 percent).

Because refugees tend to flee to neighboring countries, the developed world has historically absorbed a relatively small proportion of them. In fact, the Middle East and North Africa has absorbed roughly half of the world's refugees and asylum seekers, while sub-Saharan Africa has almost a quarter (Exhibit E3).

Forced migration has risen sharply over the past five years. The number of refugees and asylum seekers rose by 2.5 million between 2005 and 2010, then jumped by 8.1 million between 2010 and 2015. Syria's protracted civil war created an exodus that accounted for almost two-thirds of this increase between 2010 and 2015. Violence and conflict have caused millions from Syria, Afghanistan, and Iraq to leave the Middle East altogether. Many have undertaken long and often treacherous journeys to seek asylum in the high-income countries of Europe. Since the start of 2015, roughly two million asylum seekers have arrived in Europe, with five countries receiving approximately 80 percent of their applications. Processing applications has been a daunting task in and of itself, and it is likely that many

6 For a summary of the theoretical literature on this point, see Marie McAuliffe and Dinuk Jayasuriya, "Do asylum seekers and refugees choose destination countries? Evidence from large-scale surveys in Australia, Afghanistan, Bangladesh, Pakistan and Sri Lanka," *International Migration*, IOM, 2016.

7 We estimate the total population of voluntary migrants by subtracting official estimates of refugees and asylum seekers as defined by the UNHCR from global migrant stock numbers, since the two groups are mutually exclusive from a data perspective, even though this distinction is not so clear-cut in reality. See footnotes 4 and 5 for more detailed definitions.

8 In this report, we define "high-skill" migrants as those who have completed tertiary education or above, "medium-skill" migrants as those who have completed some secondary but no tertiary education, and "low-skill" migrants as those who have less than secondary-level education.

people will be awaiting decisions for some time to come. Overall, the situation in Europe has tested the developed world's commitment to global refugees; significant opposition to immigration has set in against a backdrop of slow economic growth. These tensions underscore the fact that processing applications and rehousing refugees are just the first steps in the years-long process of integration.

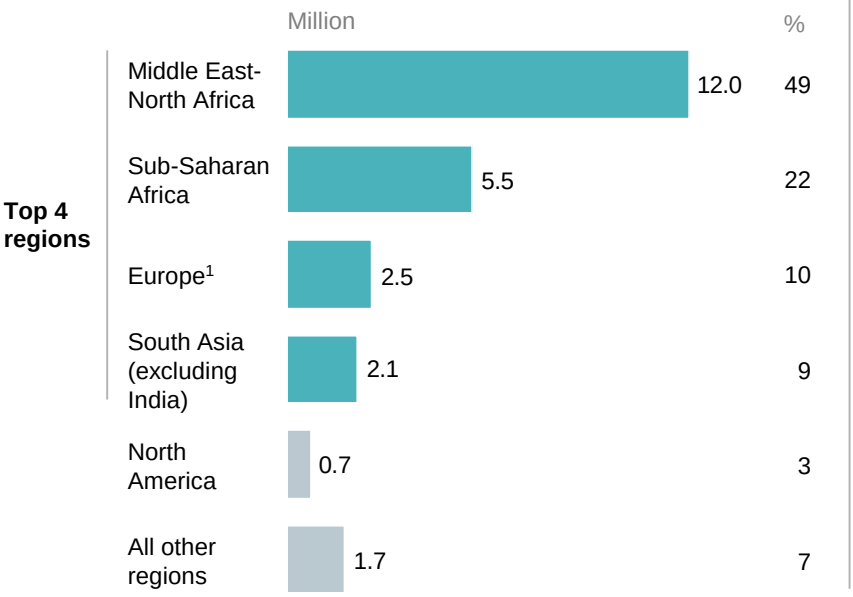
Despite the media emphasis on the situation in Europe, it is important to note that 82 percent of the 5.1 million Syrian refugees are in Turkey, Lebanon, and Jordan. In fact, only some 10 percent of the world's refugees and asylum seekers are in Europe.[9] The total across the entire continent is smaller than the refugee population in either Jordan or Turkey individually. Integration efforts are even more challenging in developing regions that have fewer resources at hand, an issue that merits greater attention.

The arrival of refugees who fled their homes with little or no advance planning poses more complex challenges than the arrival of voluntary migrants. Many refugees arrive with few possessions or resources, and their immediate needs for shelter, medical care, food, and support services are acute. In many cases, huge populations remain stuck in limbo for months on end, with children out of school and adults unable to obtain permanent housing or permission to find work. Sudden spikes of refugee arrivals leave NGOs and destination country governments, especially those in developing regions, scrambling to establish screening processes, medical and educational facilities, and shelter. Beyond their immediate needs, refugees may require longer-term support to cope with losses and trauma.

Exhibit E3

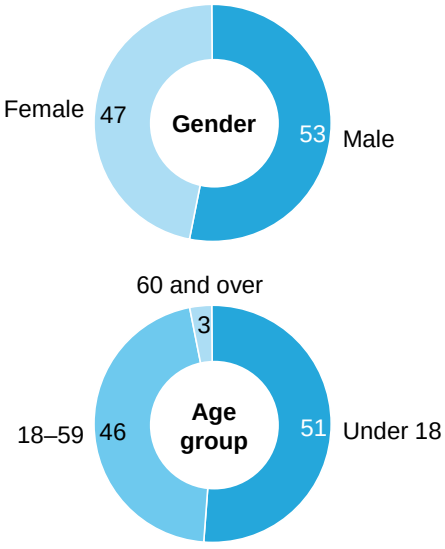
Ninety percent of the world's refugees and asylum seekers are in four regions; just under half are female and half are under the age of 18

Total refugees and asylum seekers by destination region, 2015



Refugees and asylum seekers, by gender and age group

% of total



1 EU-28, including the United Kingdom, plus Switzerland and Norway.

SOURCE: United Nations High Commissioner for Refugees; McKinsey Global Institute analysis

[9] This comprises the 28 countries of the European Union, including the United Kingdom, plus Switzerland and Norway.

$6.7T
Absolute contribution made by migrants to global GDP in 2015

MIGRATION DRIVES GLOBAL PRODUCTIVITY, PARTICULARLY IN THE DEVELOPED ECONOMIES THAT ARE LEADING DESTINATIONS

MGI estimates that in 2015 the world's 247 million cross-border migrants made an absolute contribution to global output of roughly $6.7 trillion. They contributed 9.4 percent of global GDP, despite making up just 3.4 percent of the world's population. This disproportionately high contribution can be largely explained by the fact that almost two-thirds of global migrants reside in the higher-productivity settings of developed economies. In general, migrants of all skill levels generate productivity gains in destination economies, even after taking into account differences between their labor force participation rates, unemployment rates, and productivity levels as measured against those of native-born workers of similar skill levels.

Of course, migrants would have made an economic contribution if they had remained in their countries of origin. But mobility magnified their productivity, creating incremental value. MGI estimates that this incremental contribution by migrants in their new destinations vs. their predicted output in their original home countries was between $2.7 trillion and $3.2 trillion in 2015. This is comparable to the GDP of the entire United Kingdom. In other words, the movement of labor to more productive regions lifted global GDP by some 4 percent over what it would be in a hypothetical world with no migration.

25
destination countries capture
90%
of the economic benefit

A small set of destination countries captured the majority of these benefits

Developed nations, which are home to 65 percent of the worldwide migrant population, realize more than 90 percent of migration's absolute global GDP contribution. MGI estimates that migrants contributed between $5.8 trillion and $6.3 trillion to developed economies in 2015, or about 13 percent of these nations' total GDP (Exhibit E4). In all of the world's developing nations combined, migrants generated roughly $600 billion, or a mere 3 percent of their GDP.

Viewed at the country level, 90 percent of the economic boost generated by migration occurred within just 25 destination countries. MGI estimates that immigrants contributed about $2 trillion to GDP in the United States in 2015, followed by Germany ($550 billion), the United Kingdom ($390 billion), Australia ($330 billion), and Canada ($320 billion).

Migrants originating from developing nations accounted for some $4.1 trillion (or roughly 60 percent) of the overall global impact of migration, and those from developed origins contributed some $2.2 trillion. The top five pairs of origin and destination countries, as measured by economic impact, together account for some $800 billion of GDP impact, or 12 percent of total global output. The United States is the destination country in three of these corridors, realizing the largest gains from workers who arrive from Mexico, India, and the Philippines.

Migrants have positive employment and wage prospects, but an earnings gap persists between migrants and native-born workers

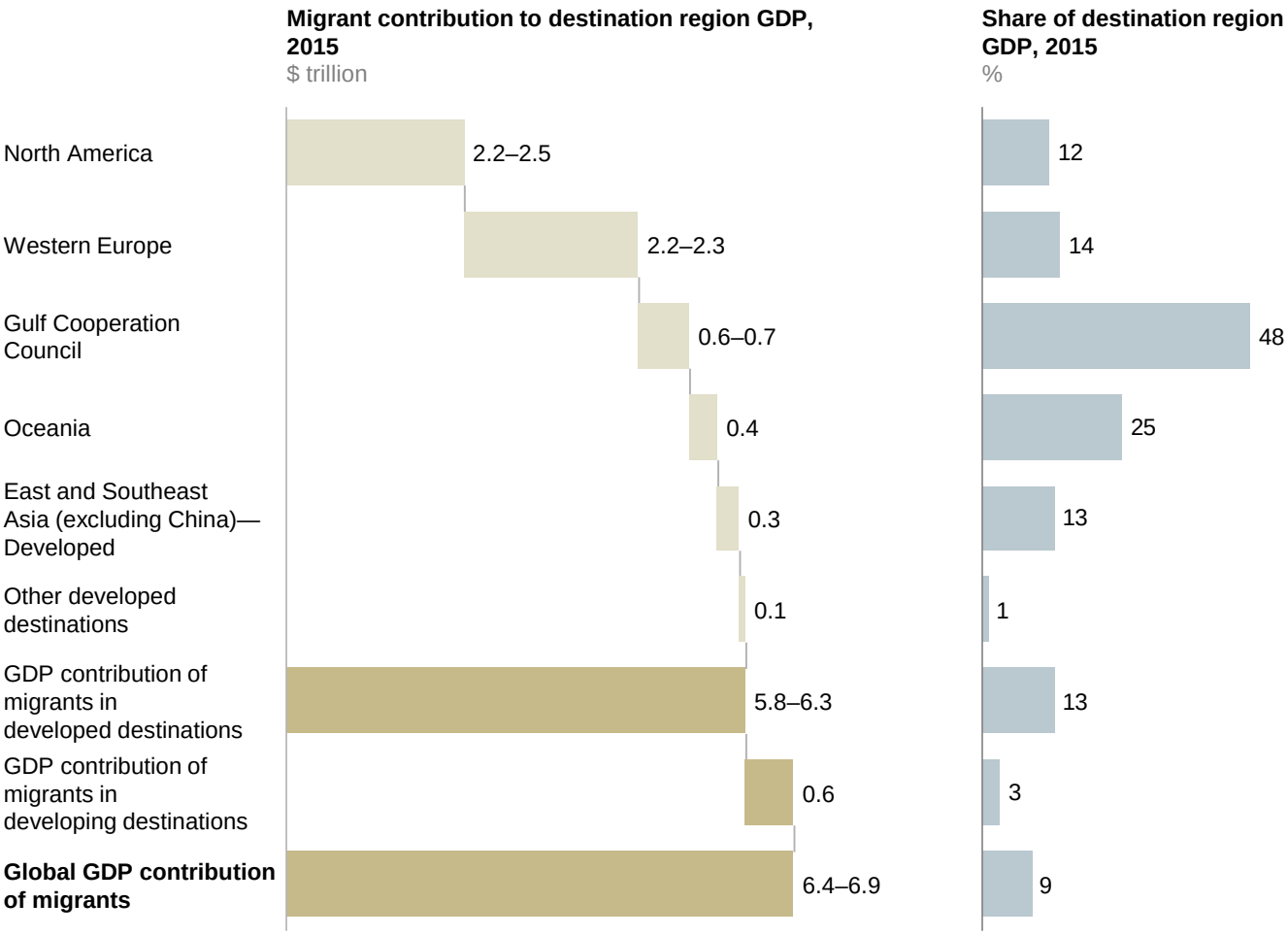
Unemployment rates are slightly higher for immigrants than for their native-born counterparts in most leading destinations, but this varies greatly by skill level and by destination. In general, immigrants may find it harder to secure jobs due to a number of factors, including having to navigate unfamiliar customs or learn a new language. But this effect usually diminishes over time as they adjust to their destinations. In Europe, for example, the aggregate immigrant employment rate over a period of 20 years or more is just two percentage points lower than that of natives.[10] Refugees in particular start out with lower employment rates than other migrants, but they, too, are eventually absorbed into labor markets.

[10] Shekhar Aiyar et al., *Europe's refugee surge: Economic and policy implications*, Voxeu.org, February 29, 2016.

In terms of wages, voluntary migrants, especially those moving from developing to developed nations, typically find opportunities to earn higher wages in their destination countries. However, studies across different countries in Europe and North America over time suggest that migrant workers, on average, earn wages that are 20 to 30 percent lower than those of comparable native-born workers. One review that surveys more than 20 studies shows the migrant-native wage gap persists even within similar education levels or occupations.[11]

Exhibit E4

In 2015 migrants contributed $6.4 trillion to $6.9 trillion, or 9.4 percent, of global GDP



SOURCE: UNDESA; United Nations High Commissioner for Refugees; OECD Database on Immigrants in OECD Countries; World Bank; US Bureau of Labor Statistics; Eurostat; IMF; McKinsey Global Institute analysis

Both high- and low-skill immigrants contribute to productivity and labor force growth in destination countries

Migrants of all skill levels have a positive impact on productivity. In fact, according to MGI estimates, the contribution to global GDP output made by low- and medium-skill migrants together is about the same as that of high-skill migrants.

[11] See Shekhar Aiyar et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016, and Sari Pekkala Kerr and William R. Kerr, *Economic impacts of migration: A survey*, NBER working paper number 16736, January 2011. Estimates were calculated using sample averages reported in the studies. Wage differences are reported as mean or maximum-minimum differences for various immigrant groups. Differences control for the observable characteristics of immigrants in most cases.

In countries around the world, immigrants contribute disproportionately to new business formation, innovation, and job creation. As of 2015, foreign nationals held slightly more than half of all patents filed in the United States.[12] A 2016 study found that more than half of US startups valued at $1 billion or more that have yet to go public—the so-called unicorns with potential for high growth and job creation—have at least one immigrant co-founder.[13]

But most immigrant entrepreneurs actually fall into the low- or medium-skill category, and they start businesses in industries such as retail, construction, and hospitality. In addition, low-skill immigrants make a considerable contribution to productivity worldwide by freeing up native-born workers to take higher-value roles. They often gain a foothold in the destination country's labor market by filling immediate job vacancies that locals do not want. According to US Labor Department statistics, for instance, the work performed by immigrants in the United States scores much higher on physical intensity, while native-born workers are twice as likely to work in office, administrative, and sales jobs than immigrants of similar skill levels. Immigrants who work as nannies and housekeepers free up native-born women from assuming household care work and boost their labor-force participation.

Besides contributing to output today, immigrants provide a needed demographic boost to the current and future labor force in destination countries. Improving the old-age dependency ratio is of critical importance to countries like Germany, Spain, Canada, and the United Kingdom, where most public pensions have a pay-as-you-go structure and worsening dependency ratios threaten to make many plans unsustainable. The presence of both first- and second-generation immigrants can help combat such unfavorable demographic trends, particularly because immigrant groups tend to have higher fertility rates than native-born populations in these countries.

RESEARCH HAS FOUND THAT IMMIGRANTS GENERALLY HAVE A NEGLIGIBLE IMPACT ON THE WAGES AND EMPLOYMENT OF NATIVE-BORN WORKERS

One question surrounding immigration is whether new arrivals increase competition for jobs and negatively affect native employment and wages. But the data do not show this effect occurring on a large scale across economies. In short, immigration does not appear to harm the long-run employment prospects or wages of native-born workers.

The academic evidence on this point is extensive. MGI reviewed more than 40 studies carried out over different time periods, focusing on various destination countries (especially in North America and Europe). This research shows that migration has limited impact on native employment and wages. One landmark study examined the effect of the growth of immigrant labor on native wages and employment in the United States over four decades and found no correlation between the two either in the aggregate or across skill groups.[14]

Yet local economies may need a period of adjustment to absorb large inflows. In such cases, the various factors of production are unable to adjust in the short term to absorb the influx of migrants, especially within a small geographic region. The process is also challenging if the skills of new arrivals make them close substitutes for native workers or if the destination economy is going through a downturn. In such situations, both native and migrant workers will feel an adverse impact on employment and wages. A 2016 study in the United States, for example, notes that any negative impacts primarily affect earlier groups of

[12] US patent statistics chart, calendar years 1963–2015, US Patent and Trademark Office data.

[13] Stuart Anderson, *Immigrants and billion-dollar startups*, National Foundation for American Policy, March 2016.

[14] Gaetano Basso and Giovanni Peri, *The association between immigration and labor market outcomes in the United States*, IZA discussion paper number 9436, October 2015.

immigrants or native-born workers who have not completed high school, as these are often the closest substitutes for low-skill immigrants.[15]

DESTINATION ECONOMIES BEAR SOME COSTS, BUT IMMIGRATION TYPICALLY HAS A NEUTRAL OR SMALL POSITIVE FISCAL IMPACT

Migration is not without its costs. Short-term costs to maintain border control and process the documents of entering migrants have been typically less than 0.2 percent of GDP across major destination countries. But the short-term costs can escalate for countries admitting a large wave of refugees. A recent IMF study examined this issue in countries across Europe coping with the current flood of Syrian refugees.[16] While the average across Europe is estimated to be approximately 0.2 percent of GDP annually, the study found the biggest fiscal burdens in Sweden, where costs are estimated to rise from 0.3 percent of GDP in 2014 to 1.0 percent in 2016, compared with its current fiscal deficit of 0.4 percent of GDP.

Over the longer term, there are also costs associated with providing some of the services that new arrivals need to integrate into unfamiliar communities. In North America and in Western Europe, we find that government expenditure on providing services to immigrant households has been lower overall, on a per household basis, than that of providing such services to native-born households. However, if pensions are excluded, governments in North America and Western Europe spend more on immigrant households than native-born households on a per household basis.

There are different methods for calculating the overall net fiscal impact of immigrants, and the impact may be positive or negative in a given country. But it rarely exceeds 0.5 percent of GDP in either direction. In fact, it was found to be around zero on average in OECD destinations between 2005 and 2009.[17] Even low-skill and undocumented immigrants can make a net positive fiscal contribution. The US Social Security Administration estimated that in 2010, earnings by unauthorized immigrants had a net positive impact on the program's cash flow of roughly $12 billion.[18]

ORIGIN COUNTRIES BENEFIT MAINLY THROUGH REMITTANCES, BUT SOME SUFFER NEGATIVE CONSEQUENCES FROM THE LOSS OF HUMAN CAPITAL

$580B
global remittances in 2014

The substantial economic benefits captured by destination countries do not come completely at the expense of countries of origin. Many migrants go abroad to find higher-paying work with the explicit intention of supporting the families they leave behind—and these financial flows are often significant. Remittances are a rapidly growing cross-border capital flow, totaling $580 billion in 2014 (roughly 8.7 percent of the output generated by migrants). In 2014, the largest inflows went to India ($70 billion), China ($62 billion), and the Philippines ($28 billion).

Despite the positive impact of remittances, migration does have some negative effects on origin countries. While developing countries receive $370 billion in remittances from migrants in developed nations, this sum is roughly 50 percent lower than what migrants from these developing countries would have generated if they had not moved. In a few select countries, the labor force has shrunk enough to adversely affect the economy. For example, even with positive natural population growth, the populations of Georgia and Armenia have contracted by 15 and 27 percent, respectively, over the past 25 years as emigrants have left.

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15 Francine Blau and Christopher Mackie, eds., *The economic and fiscal consequences of immigration*, Committee on National Statistics, Division of Behavioral and Social Sciences and Education, National Academies of Sciences, Engineering, and Medicine, September 2016

16 Shekhar Aiyar et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016.

17 "The fiscal impact of immigration in OECD countries," in *International migration outlook 2013*, OECD, June 2013.

18 Stephen Goss et al., "Effects of unauthorized immigration on the actuarial status of the Social Security Trust Funds," Social Security Administration, Office of the Chief Actuary, actuarial note number 151, April 2013.

Furthermore, the top students and the most highly educated and skilled professionals in developing nations have much to gain by pursuing opportunities in higher-income countries. As the best and brightest leave, the phenomenon known as "brain drain" occurs in their wake. One study found that dozens of poor countries—mostly small countries in sub-Saharan Africa, developing Asia, and the tropics—were losing one-third to half of their college graduates.[19] The loss of professionals in key roles, such as doctors, can cause major gaps.

While the loss of high-skill talent might be problematic, there are some mitigating considerations. Some emigrants would have faced unemployment if they stayed in their origin countries, where there are not enough high-quality jobs. The prospects of higher pay beyond what is possible domestically incentivizes even the poor to invest in their education, leading to higher skill levels overall. And when emigrants return, they bring back skills, networks, and knowledge. Even those who do not return may boost investment in their home country.

MORE EFFECTIVE INTEGRATION APPROACHES COULD LAY THE GROUNDWORK FOR ECONOMIC GAINS OF UP TO $1 TRILLION GLOBALLY

In many countries, immigration policy focuses heavily on who gets to enter but puts surprisingly little emphasis on creating a pathway for new arrivals to become more fully integrated into their new homeland—not just into the labor market but also into the fabric of society.

Many developed economies set their entry policies by trying to strike a balance between economic needs (through skills-based or labor-driven admissions) and other priorities such as family reunification and humanitarian commitments. To that end, some set overall quotas or rely on points-based systems to determine which applications for entry should be prioritized.

Although points-based systems are often touted as the most effective approach, they do not always produce a perfect result in the labor market. Even highly skilled immigrants admitted under these criteria experience higher unemployment than comparable native-born workers, due to barriers such as inefficient matching, their lack of local networks, and a tendency among local employers not to recognize foreign credentials. In short, no entry management policy approach has proven universally effective at solving for all complexities.

Focusing on integration over the longer term is often overlooked but is a critical complement to entry policy. Regardless of the volume or mix of arrivals that destination countries admit, the integration process can be handled well, handled badly, or ignored.

Any group that is disadvantaged in education, housing, health care, and social and civic life will also find itself disadvantaged in the labor market—and these issues frequently intersect in immigrant communities. Even policies that ensure equal access to social benefits are not enough if most households are not aware of the services that are available to them or lack the language fluency to navigate them. Successful integration needs to address all of these issues holistically; a narrow focus on employment alone is not enough.

[19] Frédéric Docquier, "The brain drain from developing countries," *IZA World of Labor*, May 2014.

UP TO $1 T
additional annual output possible through better integration

Ensuring that immigrants have access to the full range of services they need, defusing mistrust, and building an inclusive community can have a tangible effect on economic outcomes. In addition to employment outcomes, this involves focusing on areas such as education, housing, health, and community engagement. MGI considers a scenario in which the right interventions narrow the wage gap between immigrants and native-born workers from 20–30 percent to 5–10 percent. This outcome would generate an additional $800 billion to $1 trillion in annual economic output worldwide. It would also lead to broader positive societal effects, including lower poverty rates and higher productivity for destinations overall.

NO COUNTRY IS SUCCESSFUL ACROSS ALL OR MOST DIMENSIONS OF INTEGRATION

We look at how integration is playing out in top destination countries through three lenses: economic, social, and civic. These dimensions are closely intertwined and mutually reinforcing. While many studies have highlighted the importance of individual issues such as housing or health care, we believe that all of these aspects need to be addressed simultaneously. Ignoring gaps in any one of these areas could reduce the likelihood of successful integration.

Within each of these areas, we look at multiple indicators to gain a more complete picture of how immigrants are faring, both in absolute terms and relative to native-born populations.[20] To examine economic integration, we look at employment and labor force participation rates as well as broader measures of economic well-being such as relative income levels and poverty rates. Social integration encompasses educational attainment, the quality of housing and opportunities for homeownership, access to health care, and markers of social cohesion, including freedom from racial, ethnic, and religious discrimination. Immigrant communities also eventually need civic engagement and a political voice in order to thrive. We measure progress toward this goal by looking at markers such as naturalization rates, voter participation rates, and immigrants' share of employment in public services. Naturalization rates in particular are a tangible marker of integration into a new country.

We apply this framework to 18 major destination countries. Perhaps surprisingly, our analysis suggests that no country has achieved strong integration outcomes across all dimensions, though some countries have better results than others (Exhibit E5). The findings show that immigrants have better relative employment rates in North America and Oceania than in Western Europe. However, better employment rates do not automatically translate into economic well-being. Across all top destinations, immigrants have poorer indicators for economic well-being than native-born citizens, driven by lower relative wages and less access to welfare programs. Immigrants around the world also have difficulty obtaining quality housing and health care, and their children face significant educational attainment gaps. In addition, a significant share of native-born citizens in many destination countries perceive that immigrants are harming their economic prospects.[21] These attitudes form a backdrop against which many immigrants report experiencing discrimination and mistrust, which can sometimes manifest as economic and social barriers.

[20] Many of these indicators draw on *Indicators of immigrant integration 2015: Settling in*, OECD, July 2015.

[21] In a Gallup poll conducted across 142 countries between 2012 and 2014, 29 percent of respondents reported that they believe immigrants take jobs that citizens want in their country.

Exhibit E5

No destination country performs well across all dimensions of integration

Integration dimension	Sub-dimension	Indicator of level of integration, expressed as a value for migrants vis-à-vis natives[1]	United States	Germany	United Kingdom	Canada	France	Australia	Spain	Italy	Switzerland
Economic	Labor market outcomes	Labor force participation rate (% of working-age population)[2]	2.2	-5.5	-3.8	-2.7	-3.4	-3.5	5.7	7.0	-1.5
		Unemployment rate (% of labor force), overall[2]	-0.5	3.6	1.4	1.5	6.9	0.2	11.6	4.3	4.3
		Unemployment rate, low skill[2]	-11.7	0.1	0.7	-3.0	4.1	-0.5	8.5	2.5	4.3
		Unemployment rate, high skill[2]	1.0	4.0	2.6	3.2	6.0	1.5	10.6	5.3	3.5
		Share of low-skill workers on temporary contracts (%)[2]	n/a	-3.7	1.1	-13.3	1.3	n/a	9.2	-1.2	-3.5
		Overqualification rate (%)[2,3,4]	1.1	15.7	2.1	3.1	5.2	3.2	14.3	34.2	-0.4
		Share of 25- to 64-year-olds who report unmet training needs (%)[5]	0.5	-1.9	8.5	4.9	-0.6	3.1	4.6	4.4	n/a
		Share of employed workers who report their training was useful (%)[5]	42.1	24.9	48.7	36.7	23.5	44.3	8.8	n/a	n/a
	Economic well-being	Average household income of lowest-income decile of population (% difference)[5]	-23.1	-7.4	-24.3	-20.8	-25.6	-24.6	-55.7	-27.1	-17.4
		Median household income (% difference)[5]	-27.0	-12.8	-15.8	-16.3	-24.4	-15.3	-31.6	-27.9	-14.3
		Poverty rate for low-educated in-work population (%)[5]	7.6	2.1	n/a	5.2	16.9	6.5	14.2	15.9	12.6
Social	Education	Literacy score for foreign-born vs. native children (points)[4,6]	-31.0	-36.3	-31.0	-24.5	-32.0	-19.0	-26.2	-29.8	n/a
		Literacy score for 2nd-generation migrant vs. native children (points)[5,6]	n/a	-20.2	-14.1	2.5	-12.6	-1.8	n/a	n/a	n/a
	Housing	Homeownership rate (% of households)[5]	-17.5	-7.4	-25.4	-3.6	-16.9	-7.4	-49.8	-51.7	-25.8
		Share of people in overcrowded dwellings (%)[5]	18.5	6.6	8.8	4.2	8.9	n/a	5.8	28.5	7.8
		Housing cost overburden rate (% of households)[5,7]	5.0	1.5	6.7	3.4	6.4	3.3	15.2	11.9	2.0
	Health care	Self-reported share of population with unmet medical needs (%)[5]	0.5	-0.8	0.0	-0.7	1.1	n/a	-0.6	2.6	1.6
	Social cohesion	Share of migrants who feel discriminated against, 2002–12 (%)	13.5	12.8	13.0	15.7	17.5	16.9	16.7	n/a	8.5
		Share of natives who perceive migrants' economic impact as bad, 2008–12 (%)	n/a	19.5	32.4	n/a	23.4	n/a	23.0	n/a	10.7
Civic	Civic engagement	Voter participation rate, 2002–12 (%)[4]	-7.4	-11.4	3.9	n/a	n/a	n/a	-8.1	n/a	n/a
		Naturalization rate for migrants with low education level, from origins with low income level (%)[2]	73.5	n/a	97.9	91.8	56.9	93.7	26.8	44.2	33.3
		Naturalization rate for migrants with low education level, from origins with high income level (%)[2]	73.8	n/a	45.2	89.0	42.9	83.2	43.6	88.4	29.4
	Political representation	Share of employed population in public services (%)[2]	-7.7	-10.1	3.8	-3.7	-7.2	0.6	-16.2	-17.4	-7.1

1 Indicators are vis-à-vis natives, except "Share of migrants who feel discriminated against," "Share of natives who perceive migrants' economic impact as bad," "Migrant naturalization rate for migrants with low education level, and from origins with a low income level," and "Migrant naturalization rate for migrants with low education level, and from origins with a low income level."
2 Indicator is from 2012–13.
3 Share of people with tertiary-level qualifications who work in a job that is classified as low- or medium-skill by the International Standard Classification of Occupations.
4 Metric is based on the foreign-born population that has been in the destination country for at least ten years.
5 Indicator is from 2012.
6 Based on OECD Survey of Adult Skills (PIAAC).
7 Housing cost overburden rate is the percentage of households that spend more than 40% of their disposable income on housing.

SOURCE: *Indicators of immigrant integration 2015: Settling in*, OECD, July 2015; McKinsey Global Institute analysis

Exhibit E5

No destination country performs well across all dimensions of integration (continued)

Integration dimension	Sub-dimension	Indicator of level of integration, expressed as a value for migrants vis-à-vis natives[1]	Netherlands	Sweden	Austria	Belgium	Greece	New Zealand	Norway	Denmark	Finland
Economic	Labor market outcomes	Labor force participation rate (% of working-age population)[2]	-9.7	-6.7	-3.7	-5.0	9.1	-0.6	-3.4	-7.3	-0.9
		Unemployment rate (% of labor force), overall[2]	6.3	9.7	5.0	10.7	10.9	0.2	5.2	6.8	6.8
		Unemployment rate, low skill[2]	6.4	11.8	5.0	11.8	9.9	-1.2	7.1	9.2	2.2
		Unemployment rate, high skill[2]	4.9	8.5	4.0	7.5	11.6	0.5	4.4	5.0	7.6
		Share of low-skill workers on temporary contracts (%)[2]	2.1	0.6	-1.6	2.6	4.1	-3.6	-1.5	1.2	1.8
		Overqualification rate (%)[2,3,4]	6.7	13.4	9.3	9.9	32.3	-4.2	12.5	15.7	8.2
		Share of 25- to 64-year-olds who report unmet training needs (%)[5]	-2.5	3.2	2.1	n/a	n/a	n/a	8.8	2.2	n/a
		Share of employed workers who report their training was useful (%)[5]	26.7	17.3	21.2	n/a	n/a	n/a	37.5	60.5	n/a
	Economic well-being	Average household income of lowest-income decile of population (% difference)[5]	-24.7	-23.9	-32.3	-29.7	-42.0	-5.8	-20.7	-51.2	-22.0
		Median household income (% difference)[5]	-24.6	-17.1	-23.7	-34.2	-38.7	-14.8	-21.7	-22.2	-32.2
		Poverty rate for low-educated in-work population (%)[5]	3.4	8.2	9.8	23.2	10.8	12.6	9.1	n/a	n/a
Social	Education	Literacy score for foreign-born vs. native children (points)[4,6]	-42.7	-60.4	-31.1	-39.1	n/a	n/a	-50.9	-41.7	n/a
		Literacy score for 2nd-generation migrant vs. native children (points)[5,6]	n/a	n/a	-25.1	n/a	n/a	n/a	n/a	n/a	n/a
	Housing	Homeownership rate (% of households)[5]	-28.9	-16.0	-31.9	-33.7	-46.1	-14.6	-22.0	-23.8	-44.5
		Share of people in overcrowded dwellings (%)[5]	0.3	9.4	22.9	3.7	30.4	7.8	14.6	11.5	5.9
		Housing cost overburden rate (% of households)[5,7]	10.1	-0.7	4.8	10.5	5.8	10.2	4.5	8.2	7.0
	Health care	Self-reported share of population with unmet medical needs (%)[5]	-0.8	3.8	0.8	2.1	2.1	n/a	0.3	-0.2	5.3
	Social cohesion	Share of migrants who feel discriminated against, 2002–12 (%)	18.7	11.3	22.5	10.8	27.8	9.4	8.4	14.0	10.7
		Share of natives who perceive migrants' economic impact as bad, 2008–12 (%)	18.0	15.4	n/a	29.1	54.3	n/a	13.0	21.4	16.9
Civic	Civic engagement	Voter participation rate, 2002–12 (%)[4]	-11.1	-9.4	n/a	-4.5	-7.6	n/a	n/a	n/a	n/a
		Naturalization rate for migrants with low education level, from origins with low income level (%)[2]	36.4	91.0	46.7	77.7	13.5	n/a	14.1	47.6	51.4
		Naturalization rate for migrants with low education level, from origins with high income level (%)[2]	58.6	64.3	71.0	38.6	63.2	n/a	55.3	47.6	65.9
	Political representation	Share of employed population in public services (%)[2]	-3.9	5.0	-9.2	-8.0	-28.6	2.8	n/a	2.1	-1.7

Criteria used for heat map
Approach to setting boundary conditions

Migrant outcomes (% of native outcomes)
≥95% 80–95% <80%

Migrant or native only (% of average)
≥125% 75–125% <75%

While we examine economic, social, and civic outcomes at a national level, it is important to note that subnational variations can be substantial. Ultimately, it will take local initiatives to drive change. Many municipalities are, in fact, taking the lead in devising creative approaches, as we will discuss below.

Unemployment is a particularly interesting lens through which to consider how migrants are faring across destinations. We find that even within a given destination country, economic integration outcomes can vary for immigrants from different countries of origin. Emigrants from India, China, and Western Europe, for example, often have more success, while those from the Middle East and North Africa and those from sub-Saharan Africa face greater challenges in securing jobs. Multiple factors could be in play, including similarities (and dissimilarities) in culture and language between immigrants and natives. The presence of local networks of fellow citizens offering support to new arrivals from their homeland could also make a difference. Finally, differences in educational quality in various regions of origin could play a role in explaining this phenomenon.

To provide some quantitative examples, the average unemployment rate for immigrants in Western Europe from developing countries in Latin America and sub-Saharan Africa from 2000 to 2010 was nine to ten percentage points higher than for natives, whereas those from Oceania and North America actually had an unemployment rate that was two to four percentage points lower than for natives. At a country level, immigrants from Nigeria in the United Kingdom had an unemployment rate of 14.8 percent in 2010, more than double the unemployment rate of 7.3 percent for natives. This suggests that cultural and racial differences can translate into economic inequity, reducing immigrants' potential contribution to national economies and to the global economy.

A WIDE MENU OF PROMISING INTERVENTIONS CAN SUPPORT INTEGRATION

With no country having fully cracked the code on integration, we reviewed more than 180 examples of initiatives around the world to understand the variety of approaches being taken. Some are driven by a national, regional, or local government; others are run by private-sector actors or NGOs. From these case studies, a number of guiding principles emerge that other locations can use to shape their own efforts. While we do not have enough evidence or data to quantify their impact, the interventions and ideas presented below are intended to serve as food for thought.

Change the narrative by thinking of immigration as an opportunity to gain long-term dividends despite short-term challenges

The presence of migrants—and of refugees in particular—has often been referred to as a burden or a responsibility for destination countries. But it is important to shift the narrative in a new direction: toward accepting migration as a given in a globalized world and focusing on how improved integration can yield bigger dividends.

In the United States, the Partnership for a New American Economy has published numerous studies on key immigration issues to support its goal of making the economic case for immigration and proposing ways to modernize and improve integration. In addition, it has brought together more than 500 Republican, Democratic, and independent mayors and business leaders to advocate for change at the national policy level. By collecting evidence on the potential upside of migration, the organization aims to shift the discussion around immigration toward how to maximize its benefits.

Recognize that integration is a two-way process involving both immigrants and local communities

Integration involves allaying the fears of local communities, fostering a welcoming attitude, and making a new place feel more like home for immigrants. But for their part, immigrants need to actively seek to fit in, whether that means acquiring language skills or being sensitive to local mores. Viewing integration as a two-way process of mutual understanding between native citizens and immigrants can open up a variety of creative approaches.

Stuttgart, Germany, stands out as one of the most notable examples. The city's Pact for Integration is designed to create a community that accepts and respects the identities and histories of all its constituents. It began with a framework for building cultural understanding and flexibility in multiple ways, including multilingual education and media (such as community newspapers that connect immigrants with local news and events). A team of trained mediators was placed on call to intervene in cases of cultural conflict. Stuttgart also gave immigrants a political and civic voice by creating an "international committee," a local consultative body made up partly of elected immigrants. The city government has even lobbied for the right of all non-Germans to participate in local elections. Unsurprisingly, Stuttgart boasts the lowest immigrant unemployment rates of any city in Germany.

Empower and equip local innovators and agencies to implement integration initiatives that fit the needs of their communities

The success or failure of integration ultimately happens at the community level, which argues for empowering local leaders to design and implement programs. City leaders are uniquely positioned to mobilize local groups and community organizations around a strategy; they understand the needs on the ground and can quickly see what works. It is not surprising that some cities and towns have been pioneers in creating effective programs for their immigrant communities, even in the absence of national guidelines.

In the United States, the "Welcome Dayton" initiative in Ohio is one such local attempt at migrant integration. It aims to facilitate interaction and dialogue between immigrants and natives across all skill levels in different areas of local life. It encompasses programs across business and economic development (such as helping immigrants start businesses) as well as government and the justice system. It also addresses issues in social and health services to ensure more effective delivery to immigrants and attempts to build cultural bridges through music and theater programs for both natives and immigrants.

Having a single point of contact locally can also improve migrants' ability to find the help they need in an unfamiliar place. New York pioneered the first city government office in the United States dedicated to immigrant integration. The Mayor's Office of Immigrant Affairs helps immigrants obtain municipal ID cards and connects them with health-care and legal services, English language instruction, financial literacy and college readiness programs, and entrepreneurial support. The office has become a model and a resource for local governments in other cities across the United States and around the world.

Language is a crucial component of the local integration process. Some schools across the United States have introduced dual language instruction, combining English language learners in the same classroom with English-speaking students. Language instruction can also be part of a broader goal of community building at the city level. Dublin's local library service established a Conversation Exchange Programme and built up the selection of foreign-language books available across its more than 30 libraries. In some cases, private-sector companies are the providers. In 2007, McDonald's established a program called "English Under the Arches" to teach English as a second language to employees around the United States to help them in their career progression.

Start integration interventions early, and sustain momentum over the longer term

The longer it takes to migrants to integrate into destination countries, the worse the odds grow for successful outcomes. Refugees in particular may be stuck in limbo for months during the asylum request process, with adults unable to work and children out of school. To avoid this, some cities have started to streamline their administrative processes for asylum requests by simplifying and digitizing documentation as well as pursuing steps with multiple agencies in parallel. In some destinations, integration efforts begin upon arrival, even if a migrant's legal status is still being decided. This may include language instruction, qualification assessment and skills training, job applications, and access to essential services such as health care or banking.

The city government of Hamburg, Germany, for example, has tried to accelerate the process of connecting asylum seekers with training programs or jobs. It also provides training and counseling based on their previous experience, places them into internships, and introduces them to a broad range of corporations to build their professional network.

Furthermore, while integration is often thought of as a process that begins when migrants arrive, some innovative interventions aim to create a head start by offering education and orientation even before the journey begins. The Canadian Immigrant Integration Program is an example of this kind of pre-arrival onboarding. It provides prospective migrants with a resource network to connect with employers and attend live online mentoring sessions. Its group orientation workshops inform migrants about job prospects, job readiness, job searches, and the current Canadian economic climate.

Sustaining the early momentum is also crucial. In Australia, one NGO realized that most programs end five years after entry even though many refugees could benefit from more extended support. Active Refugee and Migrant Integration in Australia collaborates with religious groups, women's associations, youth groups, and senior groups to fill that gap, offering legal aid, citizenship courses, skills training, social events, psychological counseling, housing, parenting support, health, and education over the longer term.

Work with multiple stakeholders by forming partnerships and coalitions

Governments are not the only actors that can make a difference to the immigrant experience—coalitions between organizations can be equally important. The XEIX project in Barcelona, for example, was started by a retail merchants association as an attempt to bring together shopkeepers of diverse backgrounds to foster local development and address the xenophobia that arose after an influx of Chinese entrepreneurs. The organization collaborated with local Chinese entrepreneurs to break down barriers of language and distrust, using strategies such as Chinese after-school classes, an intercultural poetry exchange, and anti-rumor campaigns. To implement many of their ideas, project leaders partnered with 21 local immigrant organizations, private-sector companies, and local government.

Education-based organizations have also found innovative ways to help refugees gain language fluency and other skills, as well as recognizable credentials. Coursera, the largest open online education provider, has partnered with the US Department of State to create Coursera for Refugees.

Embed integration priorities into the urban planning process

The challenges facing immigrants are often overlooked in the urban planning process. One particular issue is the lack of affordable housing, which can lead immigrant groups to cluster into isolated communities. Neighborhoods with strong ethnic identities can be a positive thing, offering a place for new immigrants to find support, but if they have suboptimal housing options, they may develop all the problems associated with a high concentration of poverty. Amsterdam has tried to address this issue by building housing developments designed for cross-cultural social interaction. In general, about 40 percent of space is dedicated to social spaces and 60 percent for privately rented apartments. Amsterdam is also investing heavily in parks, sports facilities, and social spaces, particularly in districts that historically have suffered from segregation and have large foreign-born populations.

Push for better and more granular data collection to tailor and improve integration initiatives

A lack of detailed or up-to-date data analyzing what happens at each stage of the immigrant experience limits the ability of policy makers and stakeholders to know what interventions are most effective. Given the outsized importance of cities when it comes to migration, the availability of more local data could play a huge role in ensuring future integration success. Organizations such as Development Initiatives and 100 Resilient Cities, an initiative of the Rockefeller Foundation, are helping to galvanize these efforts.

Celebrate, share, and replicate successes

Integration is a long-term, complex process that takes a significant investment of time and capital from a variety of stakeholders. Organizations and communities should celebrate the successes they achieve along the way to reinforce what is at stake and to inspire other communities. Sharing innovative and effective approaches is important not only for municipalities and local organizations that are running programs on the ground but also for national governments and for national and global NGOs. Organizations such as Cities of Migration, the European Commission, the International Organization for Migration, the Global Parliament of Mayors, and multiple UN agencies facilitate the sharing of evidence and success stories.

IMPLICATIONS FOR THE PRIVATE SECTOR

Addressing the challenges that are part of the immigrant experience is often regarded as a government or social-sector undertaking. But private-sector companies are beginning to engage with the issue. Their involvement goes beyond corporate social responsibility efforts and includes business activities. Some get involved because they see real benefits in building more prosperous local communities, tapping into a new pool of potential employees, or winning loyalty from a new customer segment. Companies in many industries now look to immigrants to handle labor-intensive jobs, while others want to be able to hire highly educated candidates with specialized skills from anywhere in the world.

Integrating migrants into local labor markets ultimately comes down to the needs of domestic industries and individual companies. A concerted effort by the private sector to forecast labor needs and identify skill gaps can help governments create entry policies that are more purposeful about the mix and number of immigrants who are admitted; some may go even further and establish bilateral arrangements with origin countries. In the United States, the example of technology companies using H-1B visas to bring in highly sought-after engineering, programming, and technical talent is well known. In Canada, a 2010 parliamentary committee report brought together input from various industry associations and stakeholders, projecting the skill shortages that the country would likely face through 2020.

Aside from their hiring needs, private-sector companies can think about immigrants as a market segment. Some have developed innovative products and services to profit while aiming to achieve social impact. One major area is the development of platforms that help migrants send remittances to family members back home. New entrants into the market have significantly lowered transaction costs, reducing the once-hefty fees associated with these transactions. Abra, for example, offers financial transfers from person to person through a mobile app, does not require a bank account, and imposes no fees.

The private sector can also apply business capabilities to help in responding to crises. The current Syrian refugee crisis has inspired Ikea, Uniqlo, Fujifilm, and other companies to support the UNHCR's efforts through donations of shelter, clothing, and eyeglasses. While a multitude of companies have made financial donations, others are drawing on their business expertise and what they do best. UPS, using its package-tracking technology, has partnered with the UNHCR to track the shipment and delivery of goods and supplies to refugees globally. Bayern Munich is creating a training camp for teenage refugees that will teach football skills and is donating sports equipment to participants. Chobani's CEO established the Tent Foundation to encourage the private sector to bring its entrepreneurial power to bear to aid refugees around the world.

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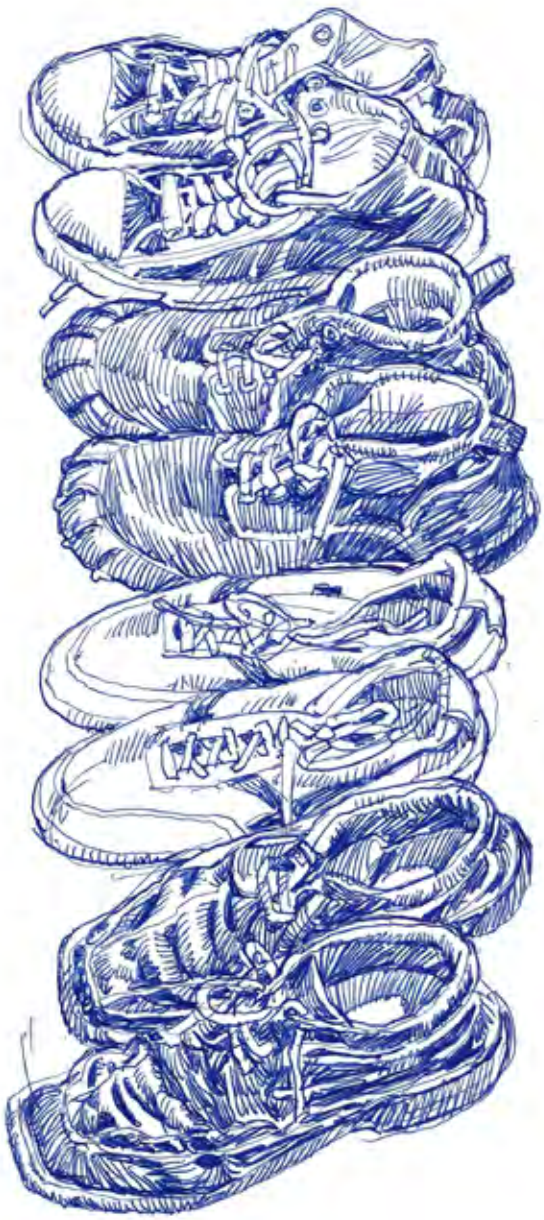
The success or failure of integration efforts can reverberate for many years. In addition to shaping the quality of life for today's immigrant communities, they may influence whether second-generation immigrants become fully participating citizens or remain stuck in a poverty trap. The economic and humanitarian stakes associated with getting this right or getting it wrong are high. The countries that make integration a priority will be better positioned to generate better outcomes—not just for immigrant populations but also for their own economies.

I AM A MIGRANT: PORTRAITS



Global migration is a phenomenon that encompasses millions of individual stories. To capture this complexity and diversity, MGI commissioned a series of portraits reflecting the migrant experience.

Created by McKinsey & Company data visualization senior editor and artist Richard Johnson, these portraits are based on a series of interviews conducted in November 2016 with migrants from Albania, Belgium, Bosnia, Burkina Faso, Cameroon, Eritrea, Ethiopia, India, Iraq, Lebanon, Libya, Morocco, Nigeria, Palestine, South Sudan, Syria, and Ukraine. The subjects shared the personal stories of journeys that have taken them to distant destinations such as Canada, Italy, and Germany.

MGI is grateful to the International Organization for Migration for its support in obtaining these portraits and to all of the individuals who gave us their time and allowed us to capture their testimony.

The following pages contain a small selection of these individual portraits. We invite you to view the full collection in our online gallery at **www.mckinsey.com/mgi** and to follow us on Twitter using the hashtag #MGIMigration. Many more personal stories can be found at the IOM's i am a migrant platform, at **http://iamamigrant.org**, which is part of the United Nations' Together campaign (**http://refugeesmigrants.un.org/together**).

The views expressed in these artworks are those of the individuals interviewed and not necessarily those of the McKinsey Global Institute, McKinsey & Company, the International Organization for Migration, or the United Nations.

MCKINSEY GLOBAL INSTITUTE | CELEBRATING 25 YEARS OF INSIGHT

i am a migrant

TOGETHER
RESPECT, SAFETY AND DIGNITY FOR ALL

65 YEARS
International Organization for Migration
The UN Migration Agency

MOHAMMED SARBAST ZANGANA

IRAQ to GERMANY

In 2013 I was living in Kirkuk working for a car security company. At checkpoints we would check to see if a car was stolen; sometimes we would catch one. Once we stopped a vehicle that was a car bomb—that was great.

ONE DAY, TWO MEN CAME ALONG IN A CAR THAT TRIGGERED A RED WARNING. I STOPPED THE CAR AND CALLED THE POLICE. THE MEN THREATENED ME. THEIR PAPERS WERE FORGED. THE POLICE CAME. LATER I GOT A TEXT MESSAGE... THAT I SHALL DIE.

I was living with my mom and dad, and my younger brothers. It was my parents' idea that I should go. I flew to Istanbul. A family friend met me there. I stayed three months in his house, then I decided to return for a visit to see my family. They were happy, so happy. I decided to stay. My parents said I could go to Irbil, to my grandmother's house.

One night, as I put my key in the door, I noticed three men in a car looking at me. I ran. I think it was a kidnapping, and they maybe didn't want to kill me—because my family has money. But now I know that I'm not safe anywhere in Iraq.

I returned to Turkey in 2015. I paid $2,500 to a smuggler to get to Greece. I bought a life vest for €60, and wrapped all my papers and clothes in plastic. We left at midnight. There were 70 of us. The boat was tiny. It only took a few hours but the waves were high and coming up on my face; they were salty. I am surprised I survived, and thankful.

The smuggler wouldn't go to shore. He forced us over the side. It was deep. There were four babies on board, and kids. I took my bag and one of the babies and swam. On shore we were freezing. A police car came and they let the children in the car to warm up.

After two days in a horrible camp, I started my journey to Germany. I went by car, bus, train, on foot. In Austria I bought train tickets to Berlin. Police stopped me on the train. I had my fingerprints taken. They gave me asylum and a temporary passport.

I'm staying in a refugee camp in Berlin. It is crowded and hard to sleep. Most Germans accept refugees. But, some people will get scared, because you come from an unsafe country. I get scared too.

I HAVE CHANGED. IN IRAQ, I THINK SOMETIMES A NEIGHBOR WOULD SAY "HELLO," AND I MAYBE DIDN'T SAY "HI." NOW, I WOULD SAY "HELLO." I SEE HOW THE GERMANS ARE SO HELPFUL. I WAS YOUNGER; NOW I AM OLDER. I SEE PEOPLE ARE ALL THE SAME. NOW I UNDERSTAND.

IT IS STUPID TO BE RACIST.

i am a migrant

TINA NUR

ERITREA to ITALY

I am from Eritrea. I have five sisters and one brother there; I am the eldest. I am not happy that I have left my family.

I studied until the 11th grade, after which it was time for military service. If I didn't leave, I would have to be a soldier, all my life. I fled to Sudan twice to avoid military service. They caught me and sent me to prison both times. Finally, I left Eritrea and made it to Sudan.

In Sudan it was too hard to find work, so after six months I moved to Egypt. I only stayed for two months. It was not safe for me to be one girl on my own. I lived with friends I had met in Sudan. When they decided to go to Italy I went too.

WE STAYED IN ISKANDARIYAH FOR A WEEK WAITING FOR SMUGGLERS BOATS. I DIDN'T EXPECT IT TO BE SO DANGEROUS. OUR BOAT WAS SO SMALL, BUT THEY TOOK 450 PEOPLE. MANY GIRLS AND BOYS AND CHILDREN. THEY TOOK EVERYTHING FROM US: OUR MONEY, RINGS, OUR PHONES, EVEN CLOTHES; THEY HAD KNIVES. THE TRIP TOOK 14 DAYS, FOUR OF WHICH WITH NO FOOD OR WATER.

An Italian boat found us, and took us to Sicily. We spent a month in the camps before I was moved to this center.

I have talked to my mother: she said this is my best chance; she said I have to do it legally now. My mother knows she is lucky I did not die at sea.

I have seen many things—many bad things—that can happen if you flee your country. If I got the chance, I would bring my sisters and my brothers directly.

THE ITALIAN GOVERNMENT HAS TREATED ME WELL; THEY ARE KIND AND FAIR; THEY ARE TEACHING ME ITALIAN. I THINK IT IS BETTER IF I LEARN NO MATTER WHERE I END UP. I WANT TO START TO GET QUALIFICATIONS TO HELP ME GET A JOB.

I want to stay.

i am a migrant

CLEOPHAS DIOMA

BURKINA FASO to ITALY

I have been in Italy for 18 years now. I left Burkina Faso mostly for economic reasons. Many of us back home think that it's much easier to study and make money in Europe.

I went to France first with a tourist visa; then in 1998 I came to Italy. Italy was not part of my original plan at all but I happened to stay here.

FOR A LONG TIME, I WORKED IN THE SOUTH. I WORKED IN TOMATO FIELDS IN FOGGIA AND THEN ORANGE FIELDS IN ROSARNO.

When I first arrived, the Italian government was not active when it came to migrant integration. I did feel welcomed, but more thanks to the African community here.

ONCE I RECEIVED MY PERMIT TO STAY, I MOVED TO PARMA IN NORTHERN ITALY AND TRAINED TO BECOME A CULTURAL MEDIATOR.

I have six brothers; none of them moved to Europe. I actually fought with them at times, because I did not want them to go through what I have been through. They can get their education back home first and, if they want to go to Europe, they will go but with a work permit, or for study reasons.

Many of my co-nationals have a dream—but this dream very often is extremely far from reality.

THE NEED TO MOVE—TO CHANGE COUNTRY—IS HUMAN.

I understand it, but if you wish to migrate, do not come illegally. Otherwise, you live in fear. When I first arrived in Italy, I was constantly afraid the police would catch me and send me back home. It's not easy.

WHEN I AM HERE, I DO MISS MY COUNTRY AND FAMILY, BUT WHEN I GO VISIT THEM I INSTANTLY MISS MY LIFE AND FRIENDS IN ITALY.

I never applied for Italian citizenship because I do not think nationality is defined by your passport.

i am a migrant

NATALYA NEPOMNYASHCHKA

UKRAINE to GERMANY

We came by bus. I was 11 years old. It took more than 30 hours. We were put in a hostel in Bavaria for two and half months.

When we first arrived, I had to go to school, and my parents started language courses. I had a hard time finding friends because I didn't speak German. Everything was different. My parents never managed to learn German. I always had to interpret, which is challenging for a child. The first couple of years I wanted to go back all the time. At some point I started to get good marks. But always, school was extremely difficult.

I moved out when I was 17 to go to school in Munich. By the time I was 21 I had a state-certified degree in languages. It wasn't a proper Bachelor's but it was recognized in the U.K. So I applied for a Master's degree there and I was very happy when I got accepted. I focused on work and, at 22, I had my Master's. I learned how to fight. I could easily have given up and become unemployed.

I FOUNDED MY OWN ORGANIZATION FOR EQUAL OPPORTUNITIES FOR POOR KIDS IN GERMANY. WE HAVE OUR FIRST KICKOFF EVENT NEXT WEEK. IT IS CALLED NETZWERK CHANZEN (NETWORK CHANCES). THE GOAL IS TO FIGHT FOR EQUAL OPPORTUNITIES FOR KIDS FROM POOR BACKGROUNDS ALL OVER GERMANY—NOT SPECIFICALLY MIGRANT KIDS, BUT ALL KIDS.

I have a German passport and I celebrated when I received it. I partied. In certain things I am more German than the Germans are. I love reliability. I love getting things done in advance. I am totally, totally German.

I AM MOST PROUD OF OUR GERMAN SOCIETY, THAT WE SUPPORT OUR POOREST PEOPLE AND CARE FOR THEM. EVERYONE CAN FIND THEIR PLACE HERE.

On migration, I think it is not only about the state providing support. I think migrants must learn the language, learn the laws, learn how the society functions. And I think in turn it is important that Germans speak to migrants, because many have never spoken to them.

i am a migrant

SRIMATI SEN

INDIA to CANADA

It was the first time I had ever been on a plane. I had my doll close like a security blanket. I remember the goodbyes at the airport and how heartbreaking it was. I try not to think about it. It's piercing.

I could never go back to India and live there. I am not that person anymore. But leaving was probably hardest thing I have ever done, leaving my family, and the culture, and the language – everything I had ever known. I was going off to live by myself with my mother and father, when I had been raised by a village of aunts and uncles.

You have this feeling of 'where am I?' Everyone is friendly, but that feeling of being a stranger in a strange land, especially when you are young … is powerful.

INTEGRATION WAS IMPORTANT TO MY MOTHER. SHE DIDN'T WANT US TO BE IN A TIGHT- KNIT 'INDIAN' COMMUNITY AT THE EXCLUSION OF EVERYONE ELSE. SHE PUT ME IN CLASSES SO THAT I COULD LEARN ABOUT OTHER RELIGIONS. SHE DIDN'T WANT ME TO LIVE IN A WORLD WHERE I ONLY UNDERSTOOD MY OWN EXPERIENCES.

WHEN YOU ARE A MODERN GLOBAL CITIZEN, YOU HAVE A SENSE OF BELONGING EVERYWHERE, BUT NOT FITTING IN ANYWHERE. YOU GO FROM A PLACE WHERE THESE PEOPLE WERE YOUR WHOLE WORLD, TO ONE WHERE YOU FEEL SOME DISTANCE, AS YOU'VE BEEN CHANGED BY A NEW CULTURE.

If you are financially secure and migrate as part of an adventure, that's great. But if you migrate for other reasons, it can be frightening, especially if you have kids. Building a new life is probably one of the most daunting things anyone can do.

i am a migrant

CLAUDIUS OTEGBADE

NIGERIA to CANADA

Canada, because of the diversity here, was very easy for me to fit in. There is no particular race that dominates, and so no inferiority complex or anything. Canada I think has a good mix of races.

I arrived in winter—I really thought I wasn't going to make it! The jacket I wore was warm back in Nigeria. I arrived in the evening and I had to get another jacket the following morning. Waiting for public transport was terrible. If the bus didn't come in two or three minutes I would run back home. I couldn't feel my ears anymore.

THERE WAS THE SUPPORT FROM THE GOVERNMENT FOR THE KIDS, SO THAT KEPT THE PRESSURE OFF ME WHILE I TRIED TO FIGURE OUT MY PATH. WHEN I DECIDED TO GO TO SCHOOL THERE WAS GOVERNMENT SUPPORT FOR THAT. SO IT WAS ALL THERE.

I got a letter that my student loan was due in six months. And then, when it was time to start paying, I checked my account online and found out that the government had paid part of my loan.

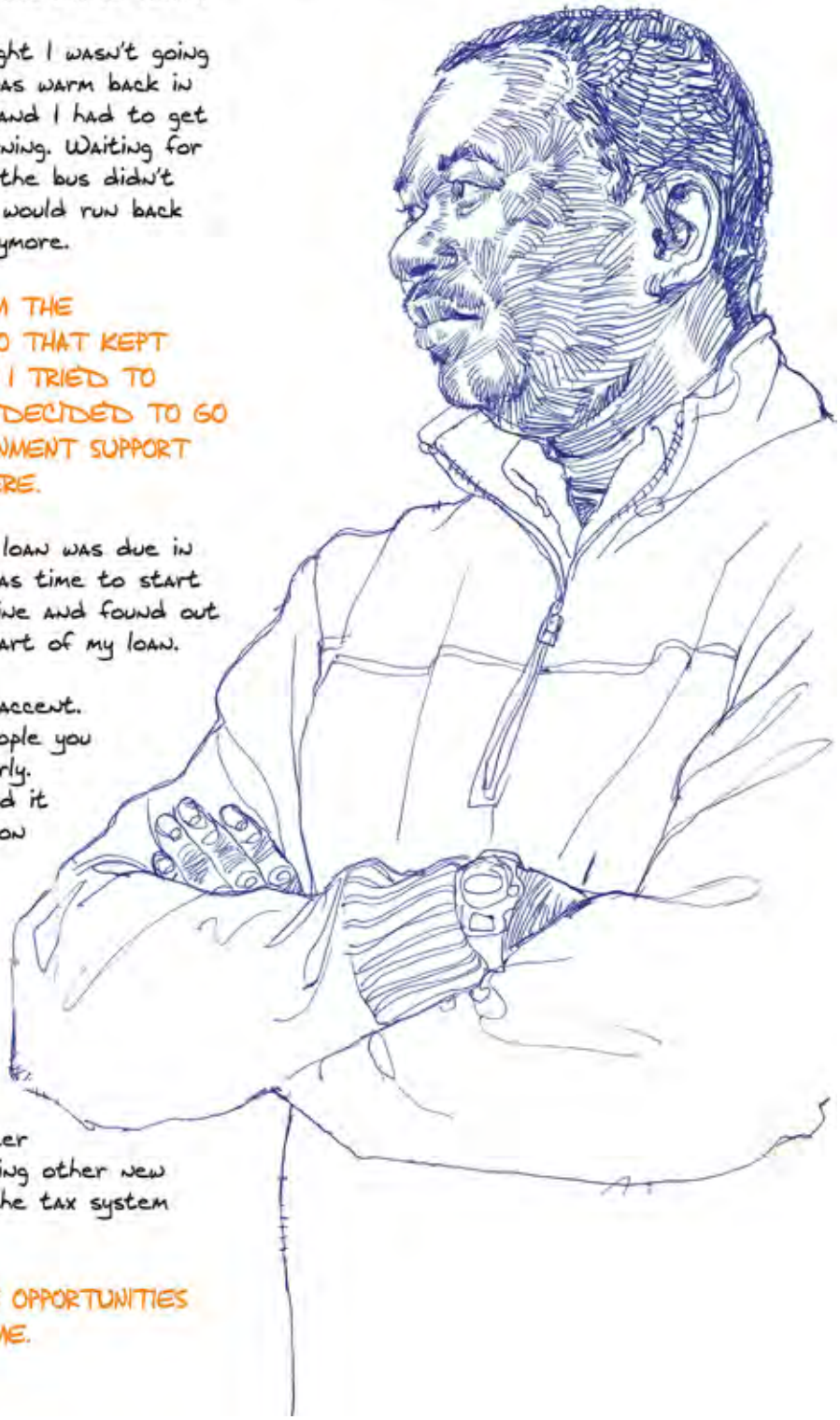
The biggest issue I had was my accent. You are speaking English and people you talk to back home hear you clearly. But when you get here, they find it difficult. You keep hearing, "Pardon me" or "what did you say?"

I STARTED MY CAREER AS A CHARTERED ACCOUNTANT IN NIGERIA; I NOW WORK AS A FORENSIC ACCOUNTANT WITH A MULTINATIONAL FIRM.

I have been involved with volunteer work in the last two years, helping other new immigrants to fully understand the tax system in Canada.

I WANT MY KIDS TO HAVE THE OPPORTUNITIES THAT I DIDN'T HAVE BACK HOME.

Many, many days I get a call from someone back home asking, "Tell me, how do you move to Canada?"



i am a migrant

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1. PEOPLE ON THE MOVE

The act of leaving behind everything that is familiar to start over in another country is a leap of faith. That leap has been taken by approximately a quarter of a billion people who have left their birthplace and now live in another country. While conflict and other factors have forced some of them to flee their homes, the vast majority move across borders voluntarily, motivated by the desire for a better life. But to citizens of destination countries, they can represent competition for jobs and scarce fiscal resources as well as a potential threat to social cohesion. Despite these sentiments, cross-border migration is an inherent part of a more global economy and labor market.

This chapter aims to provide the needed clarity on some fundamental questions: Who are the world's migrants? Where do they come from, and where do they go? What are the numbers today, and what does the future trajectory look like? Subsequent chapters will quantify the economic costs and benefits of migration and explore the approaches taken by destinations around the world to integrate new arrivals into their labor markets and their communities.

MIGRATION HAS CONTINUOUSLY GROWN OVER TIME, AND NOW A QUARTER OF A BILLION PEOPLE LIVE IN A COUNTRY NOT OF THEIR ORIGIN

2.4%
Annual growth in migration from 2000 to 2015, outpacing population growth

Migration is a key feature of a more tightly interconnected world. Today there are almost a quarter of a billion migrants around the world, representing 3.4 percent of the global population.[22] (See Box 1, "How we measure migration," for a discussion of the parameters we used in our research.) The total number has almost tripled over 55 years, from about 93 million in 1960 to approximately 247 million in 2015.[23] Of these 247 million migrants, about 48 percent (119 million) are women, a share that has remained roughly flat over the past 25 years.

The movement of people across borders accelerated sharply after 1980 as globalization gathered momentum. In the decades since, formerly closed economies have opened up, airline routes have expanded worldwide, and the internet has enabled instantaneous information-sharing and communication across borders. From 2000 to 2015, annual migration growth of 2.4 percent significantly outpaced annual population growth of 1.2 percent. The total number of migrants globally increased by 74 million over this period—a rapid increase, given that the number grew by only 20 million in the decade preceding 2000.

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[22] In this report, we use the term "migrant" to refer to any individuals living in a country other than the one in which they were born. This includes refugees, defined in the 1951 Refugee Convention on the Status of Refugees as those fleeing persecution based on race, religion, national origin, political opinion, or membership in a social group. This also includes students intending to study for multiple years in a foreign country, but it excludes short-term foreign exchange students. We rely on data from the United Nations Department of Economic and Social Affairs (UNDESA) for our quantitative analysis. It is likely that these data include some irregular migrants but do not capture their full numbers. Estimates exist (and run as high as 11 million in the United States alone), but because immigrants without legal documentation tend to avoid the authorities, it is difficult to quantify the size of this population with precision. Note that second- and third-generation migrants are considered natives in their countries of birth.

[23] This report relies throughout on data from UNDESA. However, its data collection did not begin until 1990, so we use World Bank estimates for earlier years.

Box 1. How we measure migration

This report focuses exclusively on cross-border migration rather than people on the move within their native countries. It discusses migration in terms of stock numbers (that is, the total number of foreign-born people in a particular destination). We look at changes in the stock number over time as opposed to flows (how many people move across borders in a given year); the latter is not measured globally and comprehensively by any source. However, looking at the stock number does provide a valuable longer-term picture. It more accurately reflects the cumulative impact of migrants on a given economy as well as the ongoing process of integration, which continues for years after immigrants arrive.

Throughout this report, we look at the 232 countries captured in the United Nations Department of Economic and Social Affairs (UNDESA) international migration stock 2015 revision, which we believe to be the best estimation of total global migrants. Note that while the data sources used in this report attempt to estimate the number of foreign-born migrants living in each destination country, not all countries collect data on place of birth. When such data are unavailable, these sources have used citizenship numbers to estimate the number of foreign-born migrants. By implication, we consider only first-generation migrants. Children of immigrants (one or both parents) born in the destination country are considered natives, although the second and even third generations are part of the broader story of immigration and are heavily affected by how the first generation integrates. For more on data sources, see the technical appendix.

Regional groupings

We segment these 232 countries into 15 regions based on their level of economic development as well as geographic proximity and cultural similarities (Exhibit 1). These 15 regions are labeled as either "developed" or "developing" based on income level definitions from the World Bank, in which high-income countries are "developed" and all others are "developing." The regional groups are as follows:

- **Developed.** Developed East and Southeast Asia (which includes Japan, South Korea, Hong Kong, Singapore, and Macao), developed Eastern Europe and Central Asia (which includes Poland, Hungary, Croatia, and the Czech Republic, among others), the Gulf Cooperation Council (GCC) states, developed Latin America (which includes Argentina, Chile, and others), North America, Oceania (which includes Australia, New Zealand, and other Pacific island states), and Western Europe.
- **Developing.** China, developing East and Southeast Asia (excluding China), developing Eastern Europe and Central Asia, India, developing Latin America, the Middle East and North Africa (MENA), South Asia (excluding India), and sub-Saharan Africa.

This categorization allows us to see two highly relevant trends. First, the majority of growth in global migration is driven by the movement of people from developing to developed countries. Second, while migrants are beginning to move across longer distances, most migration still consists of people moving to geographically close countries and regions (with exceptions such as North America and Oceania, which often require long-distance travel from developing regions).

Exhibit 1

We look at migration patterns across 15 regions

Million migrants[1]

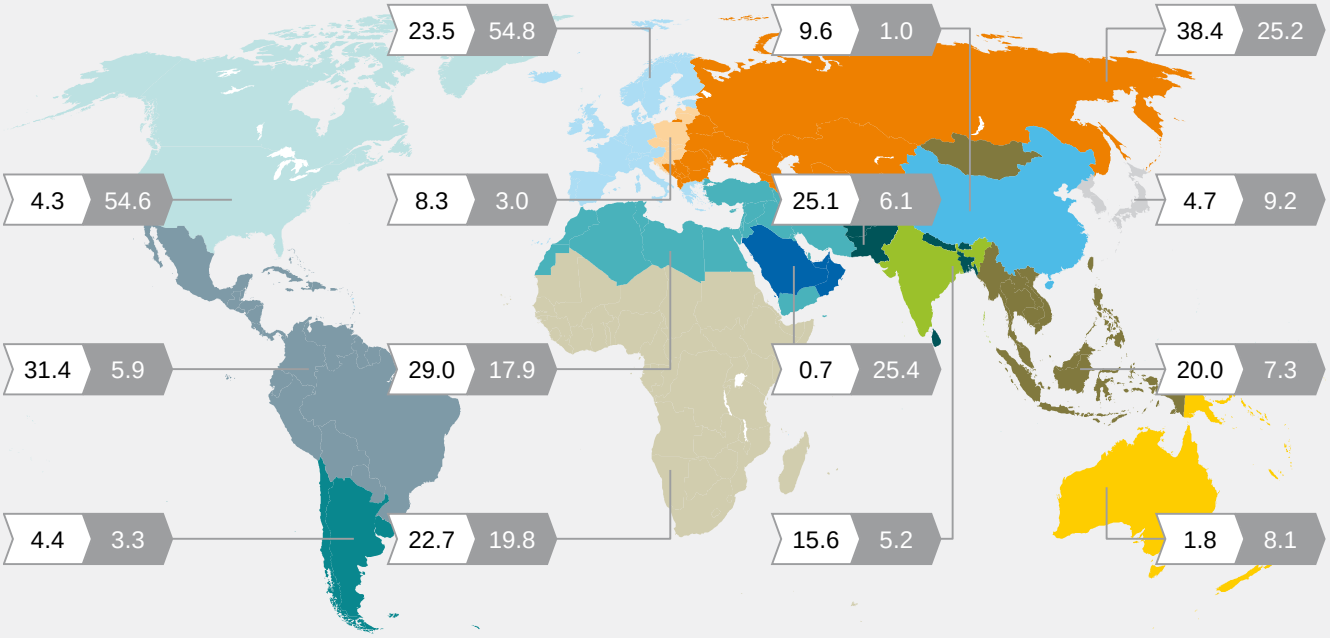
Origin | Destination

Developed regions[2]

- East and Southeast Asia (excluding China)—Developed
- Gulf Cooperation Council[3]
- Oceania
- Western Europe
- Eastern Europe and Central Asia—Developed
- Latin America—Developed
- North America

Developing regions[2]

- East and Southeast Asia (excluding China)—Developing
- China
- India
- Latin America—Developing
- Eastern Europe and Central Asia—Developing
- Middle East and North Africa
- South Asia (excluding India)
- Sub-Saharan Africa



1 Covers 232 countries based on UNDESA. The total by origin does not sum to the 247 million estimated global migration figure because approximately 10.9 million migrants are of unknown origin.
2 Developed countries are "high income" and developing countries are "upper-middle income" or lower as defined in the World Bank 2017 fiscal year levels. These income levels are based on 2015 (or latest available year) gross national income per capita. Countries with unknown income levels have been classified as developing.
3 The Gulf Cooperation Council is a political and economic alliance of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

SOURCE: UNDESA; World Bank; McKinsey Global Institute analysis

MOST MIGRANTS HAVE MOVED FROM DEVELOPING TO DEVELOPED COUNTRIES

Migrants come from all corners of the globe, and they gravitate to places where they believe they will find jobs and opportunity. Inequality between countries creates powerful incentives. About half of all migrants globally have moved from developing to developed countries.

People do move from one advanced economy to another or from one developing nation to another, but the movement from lower-income (developing) economies to those that are higher-income (developed) is larger and growing far faster than any other type of flow. This wave has grown by 3.6 percent annually over the past 25 years (Exhibits 2 and 3). As of 2015, approximately 65 percent of the world's migrants resided in developed economies, up from about 50 percent in 1990. This increase in movement to developed countries has occurred among both male and female migrants; growth rates are almost identical by gender. Roughly 75 percent of the total immigrant population in these countries came from the developing world, and over time, they are accounting for a larger share of the overall population in these destinations.

Migration to developing countries, though a smaller share of the global total, is still very significant. Some 79.6 million people, or almost one-third of the world's migrants, moved from one developing country to another. Most did not leave their region. In fact, 54 of the top 60 corridors between developing countries link neighboring countries. These 54 corridors account for almost two-thirds of the total migrants who have undertaken a move from one developing country to another.

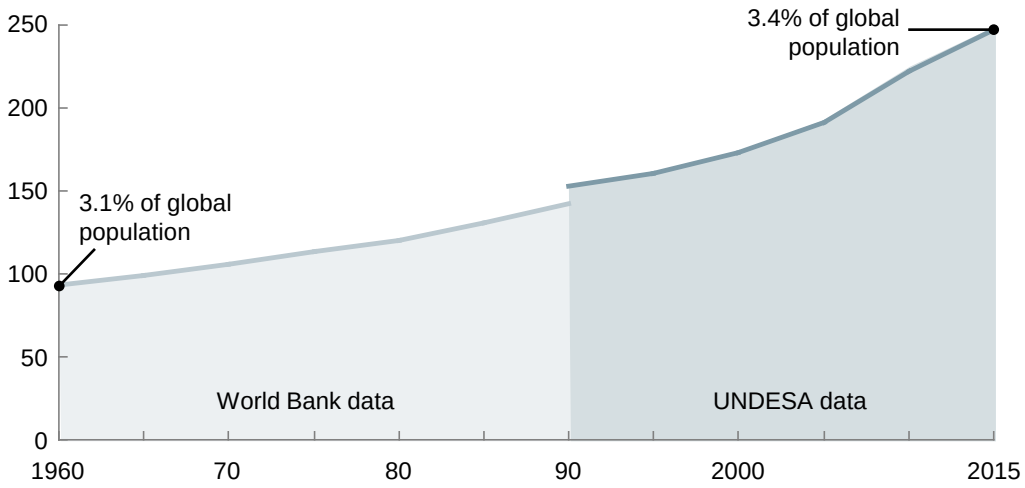
Approximately 19.9 million refugees and asylum seekers, or more than 80 percent of the global total, have moved from one developing country to another (see the following sections for further discussion). Roughly 50 percent of the world's total have traveled along the top ten pathways of refugee flows in the developing world, and all ten run between neighboring countries.

Looking at demographics, almost half (48 percent) of the world's migrants are women. The pattern is broadly similar across different types of movements: women make up 46 to 47 percent of migrants who have moved from developing to developing nations, from developing to developed nations, and from developed to developing nations. They are a slight majority (52 percent) of the 41 million migrants who have moved from one developed country to another. More than 40 percent of these are intra-European movements. Some 1.9 million women have emigrated from Poland; next are Germany (1.0 million), Italy (700,000), Portugal (600,000), and France (600,000).

Exhibit 2

Migration has been a consistent historical trend, with growth driven by the movement from developing to developed countries

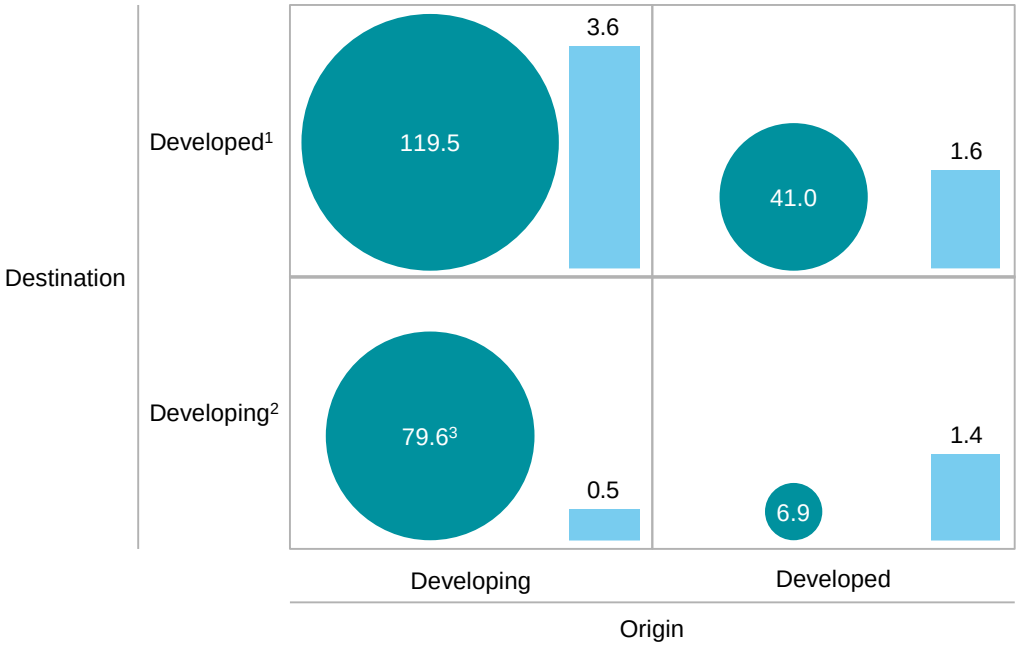
Global international migrants
Million



Migrant population and growth by origin and destination development level

Population, 2015
Million

Compound annual growth rate, 1960–2015
%



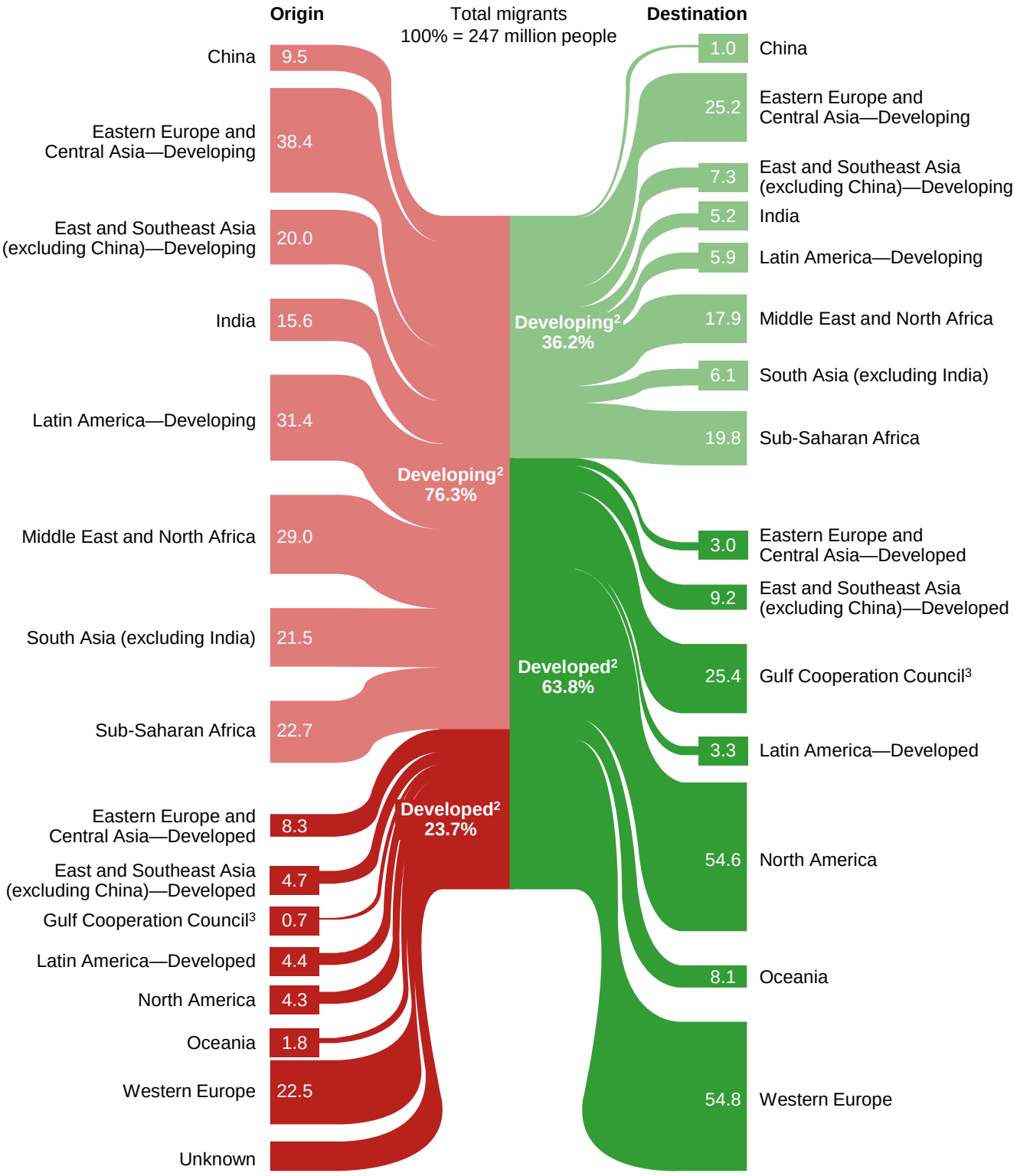
1 Includes all high-income and major developed countries. Includes two million migrants in Israel and Cyprus from the developing region of the Middle East and North Africa.
2 Includes low-income, lower-middle income, and upper-middle income countries, per World Bank classifications.
3 Changes in developing to developing are primarily driven by fluctuations in forced migration.
NOTE: Some 11.1 million migrants from unknown origins or with unknown development levels are assumed to come from developing origins.

SOURCE: UNDESA; World Bank; McKinsey Global Institute analysis

Exhibit 3

The majority of migrants have moved from developing to developed destinations

Migrants by region of origin and destination, 2015[1]
Million



1 Covers 232 countries based on UNDESA. The total by origin does not sum to the 247 million estimated global migration figure because approximately 10.9 million migrants are of unknown origin.
2 Developed countries are "high income" and developing countries are "upper-middle income" or lower as defined in the World Bank 2017 fiscal year levels. These income levels are based on 2015 (or latest available year) gross national income per capita. Countries with unknown income levels have been classified as developing.
3 The Gulf Cooperation Council is a political and economic alliance of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

SOURCE: UNDESA; World Bank; McKinsey Global Institute analysis

Where do migrants come from?

Roughly 80 percent of the world's migrants originally hail from developing regions. All of these regions contribute significantly to the phenomenon of global migration. The top three origin regions are developing Latin America, which contributes approximately 18 percent of global migrants, developing Eastern Europe and Central Asia (16 percent), and the Middle East and North Africa (14 percent).

~80%
of the world's migrants are originally from developing economies

Emigration is widely dispersed, with substantial numbers of emigrants hailing from multiple countries across these regions. India, Mexico, and China are the leading sources of migrants, but outside of this small group, no single country of origin accounts for more than 3 percent of migrants worldwide (Exhibit 4).[24] The top 20 countries together account for less than 50 percent of the world's migrants.

The exodus from some countries, however, can be substantial as a proportion of their population. The number of emigrants exceeds 10 percent of the population for 95 countries of origin. The proportions are especially high for countries currently or historically in conflict. The number of Afghan expatriates living in other countries equals 15 percent of the country's population, and the share who have left Syria is 27 percent of the population, a reflection of the country's descent into chaos. But this is not the norm. For most countries or regions of origin, emigrants represent less than 10 percent of the population.

Where do migrants go?

While migrants do move across long distances, more than 60 percent of global migration consists of people moving to neighboring countries or to countries in the same part of the world. In fact, nine of the top ten corridors, including Mexico to the United States, connect neighboring countries. At the regional level, the most heavily traveled corridor is from developing Latin America to North America.

While migrants come from all corners of the globe, their destinations are more concentrated. Five regions—Western Europe, North America, the Gulf Cooperation Council states (GCC), Oceania, and developed nations in East and Southeast Asia—have collectively attracted 87 percent of cross-border migrants moving to developed destinations. These regions account for nearly all of the growth in the developed world's immigrant totals between 2000 and 2015.

51%
of the world's migrants live in the top ten destination countries

The world has a clear set of leading destination countries, with the top ten accounting for 60 percent of the growth in the total migrant population since 2000. These nations are home to 126 million migrants, or 51 percent of the global total as of 2015. In sheer numbers, the United States tops the list of destinations. In 2015, it was home to some 47 million immigrants, or 19 percent of the world's total migrant population.

Immigrants account for a large share of the population in some countries, particularly in the GCC. They make up 88 percent of the population in the United Arab Emirates and roughly three-quarters of the population in Qatar and Kuwait. In North America, 22 percent of Canada's population is made up of immigrants. Western Europe also has a number of countries with significant shares of immigrants, including Austria (18 percent of the population), Sweden (18 percent), Ireland (16 percent), Germany (15 percent), the United Kingdom (13 percent), and Italy (10 percent).

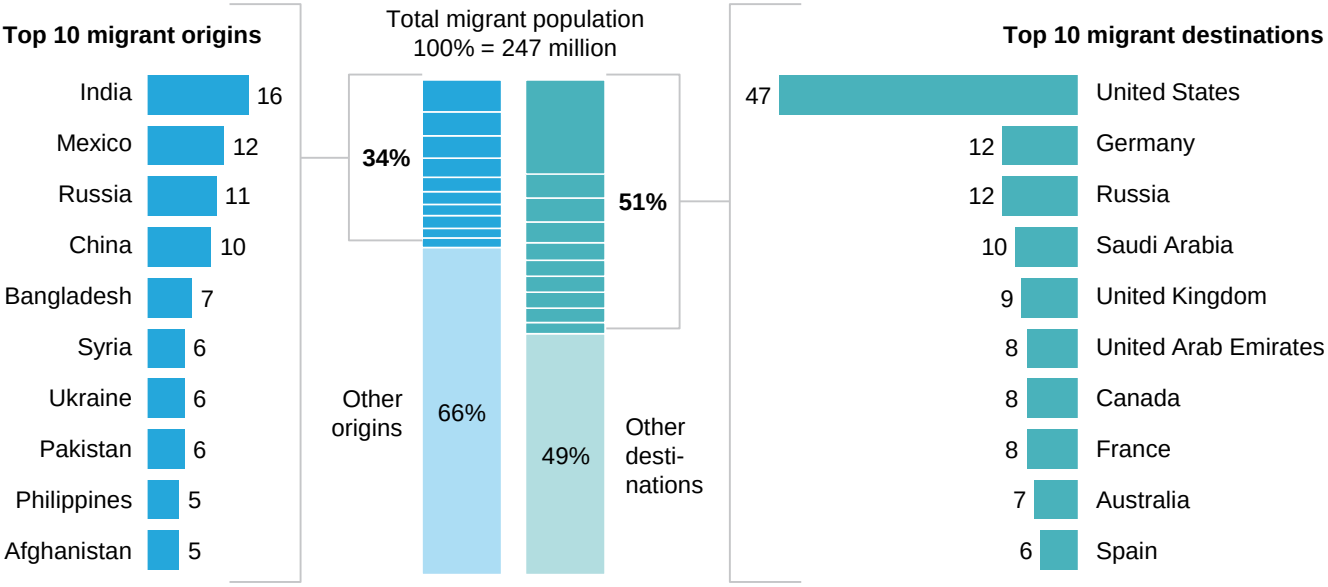
[24] Russia appears as the third-highest country of origin in UN statistics, but the high number of migrants in Russia and many post-USSR states is largely attributable to migration during the Soviet era. After the breakup of the USSR in 1990, many people who had moved within the union were reclassified as migrants after the redrawing of national borders. Given that the stock number has been stagnant over the past 25 years, we consider Russia to be an outlier.

Exhibit 4

India is the top origin country, and the United States is the top destination

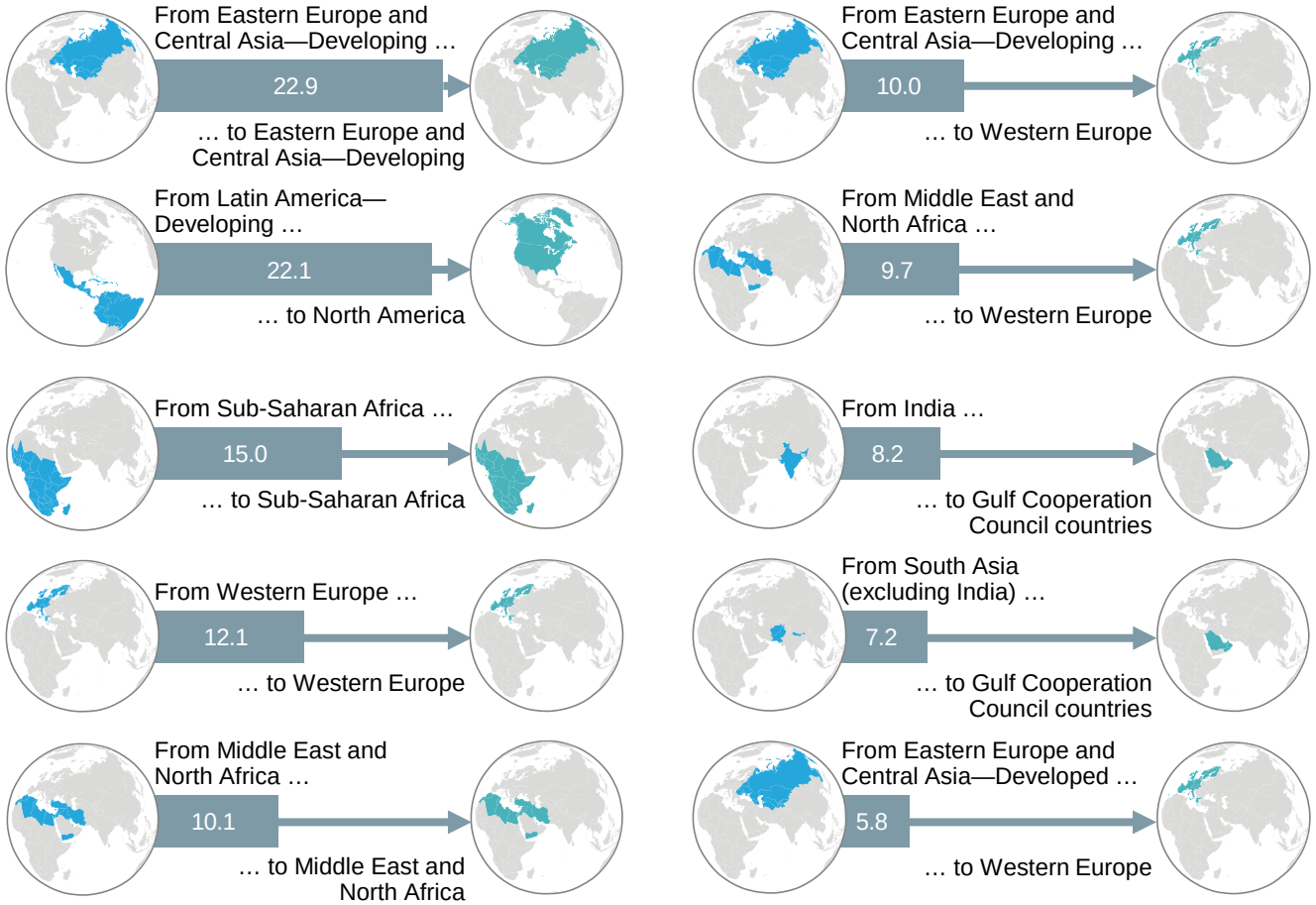
The top 10 migrant origins and destinations

Million



The top ten movements[1]

Total migrant population, million



1 Includes both interregional and intraregional movement.
NOTE: Numbers may not sum due to rounding.

SOURCE: UNDESA; World Bank; McKinsey Global Institute analysis

MIGRANTS ARE A GROWING DEMOGRAPHIC FORCE IN MAJOR DESTINATION REGIONS AND A SIGNIFICANT DRIVER OF URBAN GROWTH

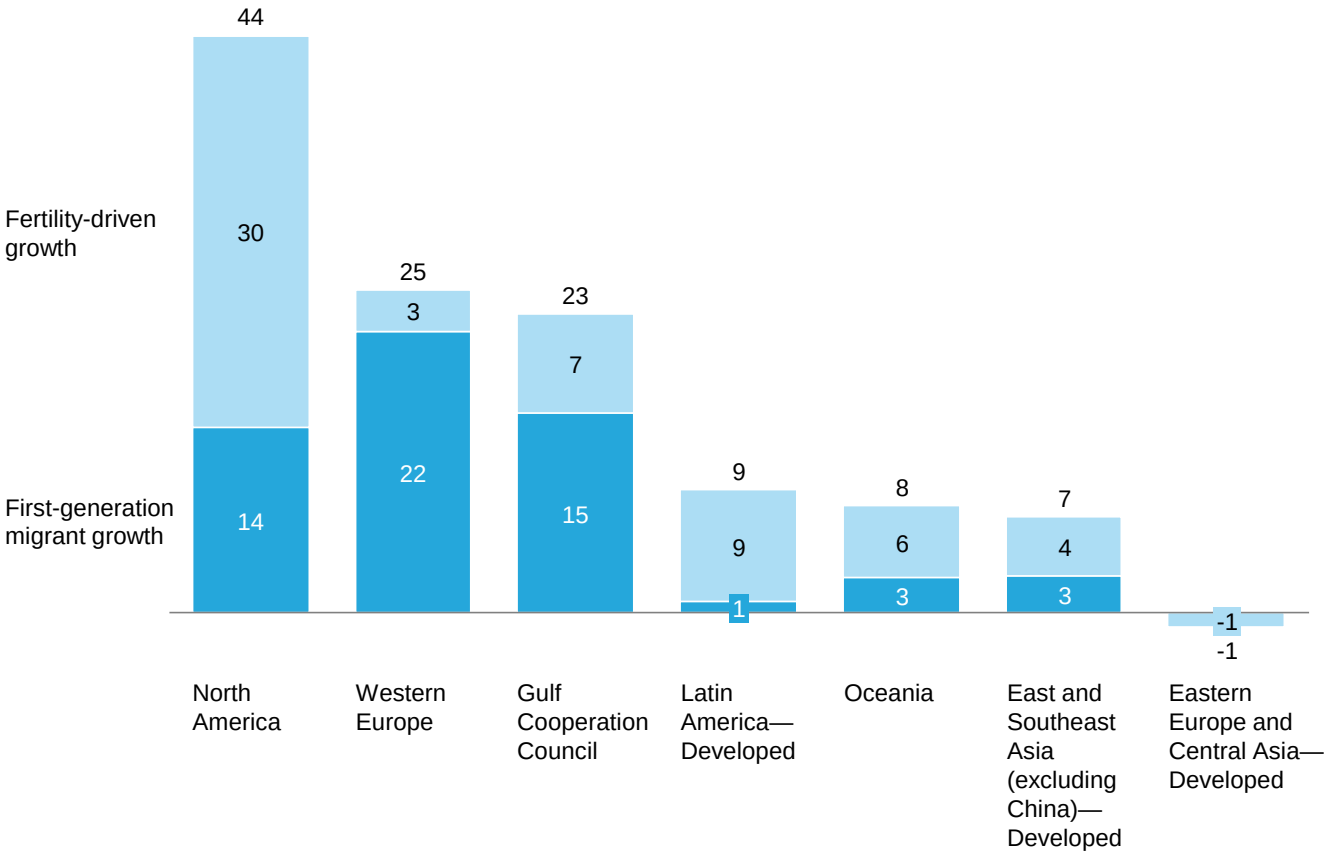
Migration is replacing fertility as the primary driver of population growth in key developed regions worldwide. Immigrants accounted for 87 percent of Western Europe's population growth between 2000 and 2015, for example (Exhibit 5). Since 2000, growth in the total number of migrants in developed countries, which has averaged 3.0 percent annually, has significantly outstripped the 0.6 percent annual rate of population growth.

First- and second-generation migrants constitute a major share of the population in the developed world. Today, first-generation immigrants make up 13 percent of the population in Western Europe, 15 percent in North America, and 48 percent in the GCC countries. When immigrants put down permanent roots, the effects of their presence are amplified as they have children. Global data on second-generation immigrants are limited, but they make up 9 percent of the young adult population (ages 15 to 34) in Western Europe and 13 percent of this age group in North America.

Exhibit 5

Migration is a key driver of population growth in most developed regions

Population increase by region, 2000–15
Million



First-generation migrant share of population growth
%

North America	Western Europe	Gulf Cooperation Council	Latin America—Developed	Oceania	East and Southeast Asia (excluding China)—Developed	Eastern Europe and Central Asia—Developed
32	87	67	9	33	39	0

NOTE: Numbers may not sum due to rounding.

SOURCE: UNDESA; World Bank; McKinsey Global Institute analysis

As a result, migration has already transformed the demographic mix in leading destination countries, and its current trajectory points toward an even bigger impact in the future. One study projects that by 2065, immigrants and their children will constitute 36 percent of the US population.[25] The arrival of new immigrants, including groups with higher fertility rates, is offsetting the effects of rapidly aging populations in some advanced economies. According to Eurostat projections, migration will increase the European Union's population by 3.4 percent by 2050 (an increase of roughly 17 million people), heading off what would otherwise be an 8 percent decline in a scenario with no migration.[26]

Migrants are concentrated in urban centers

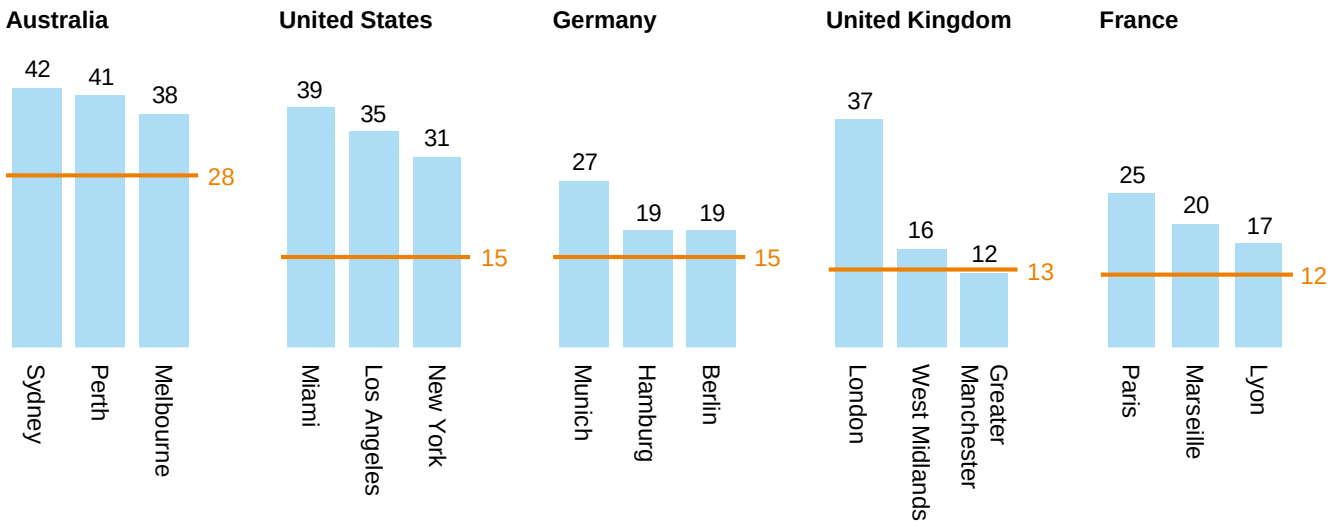
Once they arrive in their destination country, migrants overwhelmingly remain in cities, where they have become significant drivers of urban population growth. Some 92 percent of immigrants in the United States live in urban areas, as do 95 percent in the United Kingdom and Canada, and 99 percent in Australia. In cities, they are more likely to gain a foothold by joining large communities of fellow immigrants—communities where they can find not only a familiar language but also support networks that can connect them with services and jobs.

Major global cities have large international communities. For example, in the United States, immigrants make up 31 percent of the population in New York City and nearly 40 percent in Miami. In Australia, immigrants represent 38 percent of the population in Melbourne and 42 percent in Sydney (Exhibit 6).

Exhibit 6

In major cities of the developed world, migrants make up a significant portion of the population

Migrants as a share of city population for the top three urban areas[1]
% of total population[2]



1 The definition of "urban area" is not consistent across countries and is dependent on data source.
2 National average is based on 2015 UN data; all other data are based on most recent available (Australia, United Kingdom, United States, 2011; France, Germany, 2012).

SOURCE: US, German, and Australian local government censuses and surveys; Eurostat; McKinsey Global Institute analysis

[25] *Modern immigration wave brings 59 million to US, driving population growth and change through 2065*, Pew Research Center, September 2015.

[26] From Eurostat population projections, available at http://ec.europa.eu/eurostat/web/population-demography-migration-projections/population-projections-data.

Moreover, immigrants in cities around the world have helped to fuel population growth and economic growth. Previous MGI research on urbanization has found that expanding populations have been the primary driver of rapid GDP growth in major cities.[27] Migrants have fueled a significant portion of this trend in urban areas around the world. In North America, for example, migrant inflows produced almost one-third of the overall population increase from 2000 to 2015; in the GCC, two-thirds of population growth in this period came from migrants. In the 1970s, New York City was in crisis—on the brink of bankruptcy and in the midst of a 10 percent population decline. However, immigrants helped to stabilize the city, reversing the population decline, moving into neighborhoods where natives were more reluctant to live, and strengthening the property tax base. Immigrants also had a lower crime rate than native-born residents.[28] An influx of immigrants doubled Dubai's population during its period of rapid growth between 1995 and 2005. These new arrivals filled labor gaps across all major occupations, and today 96 percent of the city's labor force is foreign-born.

The close proximity of multiple ethnicities gives the world's most global cities a remarkable degree of diversity. Some 140 languages are spoken in Toronto, for example, where 12 percent of the population is South Asian and 11.4 percent is Chinese. In addition to its many Mexican and Central American immigrants, Los Angeles is home to a large Iranian diaspora and a Koreatown neighborhood whose population exceeds 100,000. But the arrival of new immigrants can also lead to tensions as more established groups see the character of their neighborhoods changing. Cities, as we will discuss in greater detail in Chapter 3, are most affected by the challenges of immigration—but they are also at the forefront of delivering solutions that can lead to successful integration.

FOR TOP DESTINATIONS, IMMIGRANTS REPRESENT A SIZABLE AND STRUCTURALLY IMPORTANT SOURCE OF LABOR

28%
Foreign-born share of the labor force in Oceania

In addition to constituting a large portion of the population, immigrants make up a substantial share of the labor force in the major destination regions. Foreign-born workers represent 28 percent of the labor force in Oceania, 18 percent in North America, and 14 percent in Western Europe.

Notably, immigrants account for an even higher share of growth in the labor force in many countries. This is an important factor for aging societies, since an expanding workforce is one of the key drivers of economic growth. Between 2000 and 2014, migrants contributed 40 to 80 percent of labor force growth in the top destinations. For example, immigrants contributed approximately 37 percent of labor force growth in the United States, 42 percent in Canada, 48 percent in the United Kingdom, and 45 percent in Spain (Exhibit 7).

Female migrants play an important role in labor markets worldwide. In OECD destinations, they are just as likely to be medium- or high-skill as male migrants. In 2010, roughly 69 percent of women immigrating to OECD countries were either high- or medium-skill, compared with 67 percent of male migrants in these destinations and 67 percent of female natives.

As the labor market has become more global, many countries have come to rely on foreign workers to fill occupational shortages. In Saudi Arabia, for example, approximately eight million foreign workers account for almost a third of the country's population and a remarkable 85 percent of its labor force. In this case, they provide physically demanding labor in sectors such as construction, where nine out of ten workers are foreign-born. They also fill gaps in fields that demand a high degree of education and professional training. Some 200,000 health specialists from abroad constitute two-thirds of all health

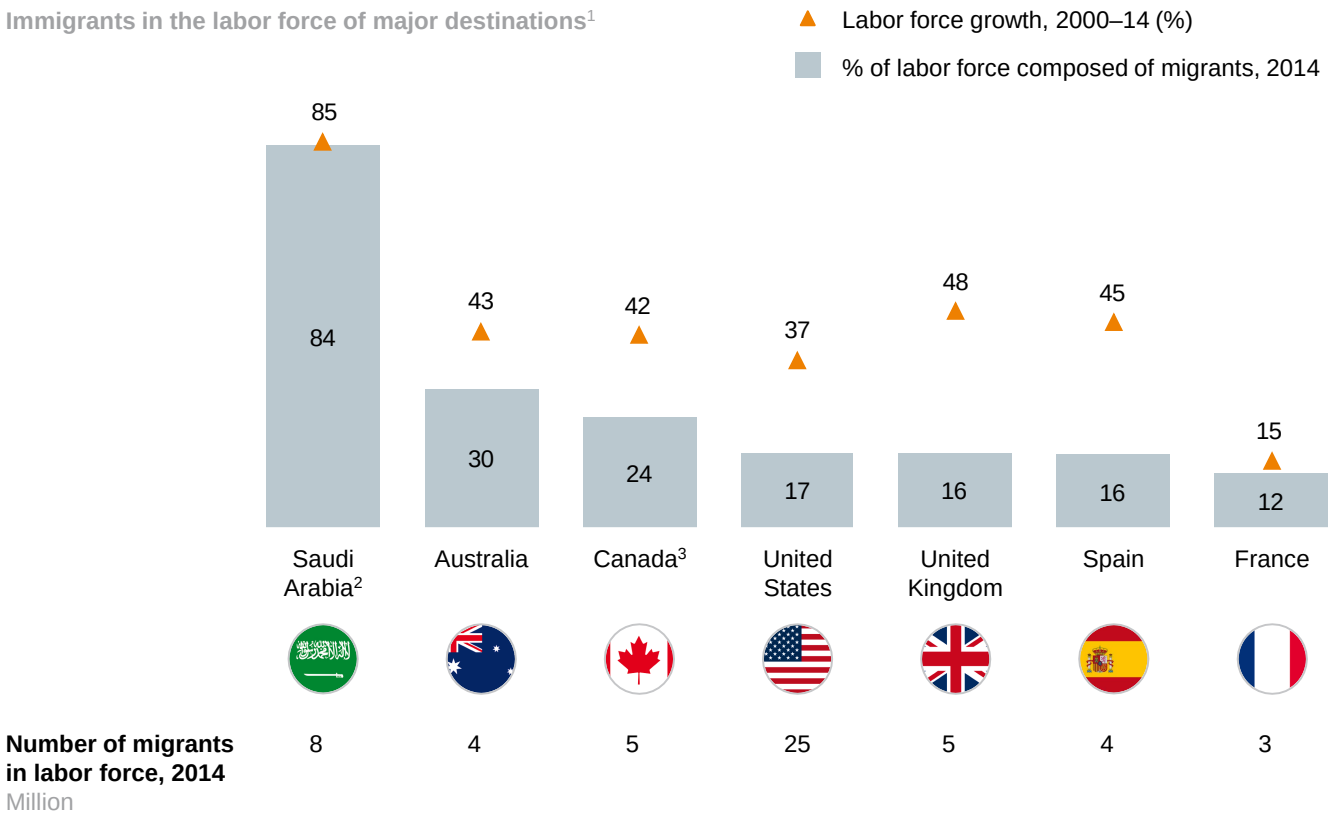
[27] *Urban world: Mapping the economic power of cities*, McKinsey Global Institute, March 2011.

[28] *Immigration and New York City: The contributions of foreign-born Americans to New York's renaissance, 1975–2013*, Americas Society/Council of the Americas, April 2014.

professionals in the country, including 82 percent of doctors, 74 percent of nurses, and 84 percent of pharmacists.[29]

Exhibit 7

Migrants not only make up a significant share of the labor force but also account for much of its growth in the top destination countries



1 Labor force is equivalent to the active number of people ages 15–64 seeking to be employed..
2 Estimate based on working-age (15–64) population data from UNDESA as well as 2013 Gulf Labor Markets and Migration report on Saudi Arabian native- and foreign-born employment.
3 Based on ages 15+.

SOURCE: Government labor force surveys, Eurostat; OECD; UNDESA; Gulf Labor Markets and Migration report; McKinsey Global Institute analysis

In the United States, 41 percent of farm laborers and supervisors are migrants. One study found that when the number of farmworkers immigrating to the United States declined sharply between 2002 and 2012, the resulting labor shortage reduced output in the agricultural sector by some $3.1 billion annually.[30] (Chapter 2 contains a detailed discussion of how immigrants affect the labor market and the prospects of native-born workers in destination economies.)

Beyond first-generation immigrants, their children—who already account for 13 percent of the young adult population (ages 15 to 34) in North America, 9 percent in Western Europe, and 24 percent in Oceania—will form a substantial share of the labor force of the future. This could be a critical factor for developed economies where aging populations raise the possibility of dampened growth and unsustainable pensions. In multiple countries, the

29 *Saudi Arabia beyond oil: The investment and productivity transformation*, McKinsey Global Institute, December 2015.
30 Stephen G. Bronars, *A vanishing breed: How the decline in US farm laborers over the last decade has hurt the US economy and slowed production on American farms*, Partnership for a New American Economy, July 2015.

presence of migrants is lowering old-age dependency ratios and bolstering the viability of pension plans (see Chapter 2 for more on this).

MOST MIGRANTS ARE LOW- AND MEDIUM-SKILL WORKERS WHO MOVE VOLUNTARILY, BUT REFUGEE FLOWS HAVE SPIKED IN RECENT YEARS

For the purposes of this report, we look at two primary types of migrants: voluntary migrants, and refugees and asylum seekers. Voluntary migrants are those who move from one country to another by choice, often to pursue economic opportunities. Refugees and asylum seekers are those who are compelled to flee to another country.[31] Such flows are part of a broader phenomenon of forced migration, which refers to the movement of people under some form of coercion.[32] These categories are based on the underlying motivation or cause that spurs migrants to move to another country, though the line between these categories is often blurred. Some "voluntary" migrants may in reality be fleeing economic, social, or physical hardship in their country of origin, while even those who are fleeing conflict are exercising some degree of agency through the very act of leaving their home and moving to a specific destination.[33] These broad distinctions may not be airtight, but they are useful as they help characterize the circumstances surrounding the arrival of migrants, their legal status, the assets and networks they may possess, and the challenges they face in assimilating.

Refugees might be the face of migration in the media, but the vast majority of the world's migrants—about 222 million, or more than 90 percent—have moved across borders voluntarily.[34] These voluntary flows are typically shaped by the entry policies set by destination countries and can be adjusted based on quotas, types of visas offered, and the selectivity applied to applications. Voluntary migrant flows are usually gradual, placing less stress on logistics and the social fabric of destination countries than forced migration. Most voluntary migrants are working-age adults, a characteristic that helps to raise the share of the population that is economically active in destination countries.

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31 MGI uses definitions and data from the United Nations High Commissioner for Refugees (UNHCR) to distinguish between voluntary migrants, and refugees and asylum seekers. The UNHCR defines *asylum seekers* as individuals who have sought international protection and whose claims for refugee status have not yet been determined, irrespective of when they may have been lodged. The UNHCR defines *refugees* in accordance with the 1951 Convention on the Status of Refugees, which states that a refugee is "a person who owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it." The UNHCR uses prima facie evidence to identify refugees, i.e., the determination of who constitutes a refugee is made on the basis of readily apparent, objective circumstances in the country of origin. The International Organization for Migration (IOM) adopts the same definition for refugees as the UNHCR, but defines an asylum seeker as "a person who seeks safety from persecution or serious harm in a county other than his or her own and awaits a decision on the application for refugee status under relevant international and national instruments."

32 The data on forced migration in this report refer only to refugees and asylum seekers as defined by the UNHCR, although we acknowledge that they are not the only forced migrants. The decision to grant refugee status is often political, and many people fleeing conflict do not fit the legal definition of a refugee. The IOM, for example, defines forced migration more broadly as "a migratory movement in which an element of coercion exists, including threats to life and livelihood, whether arising from natural or man-made causes (e.g., movements of refugees and internally displaced persons as well as people displaced by natural or environmental disasters, chemical or nuclear disasters, famine, or development projects)." However, due to data availability, MGI takes global estimates and definitions of refugees and asylum seekers from the UNHCR. Irregular migration is therefore also not addressed in this category, unless already contained within UNHCR estimates.

33 For a summary of the theoretical literature on this point, see Marie McAuliffe and Dinuk Jayasuriya, "Do asylum seekers and refugees choose destination countries? Evidence from large-scale surveys in Australia, Afghanistan, Bangladesh, Pakistan and Sri Lanka," *International Migration*, IOM, 2016.

34 We estimate the total population of voluntary migrants by subtracting official estimates of refugees and asylum seekers (as defined by the UNHCR) from global migrant stock numbers. We assume the two groups are mutually exclusive from a data perspective, even though this distinction is not so clear-cut in reality. See footnotes 31 and 32 for definitions of these terms.

Refugee flows are smaller than voluntary flows, but because they occur in response to humanitarian crises, they are unplanned and result in large spikes of migration within short time periods. They often necessitate enhanced security and border control in addition to other logistical challenges for the destination countries. Forced migrants tend to be less heavily skewed toward those of working age than voluntary migrants, given that people of all ages are often compelled to flee in the face of conflict. By the end of 2015, there were about 24 million cross-border refugees and asylum seekers worldwide, comprising about 21 million refugees and three million asylum seekers.

The term "refugee" is strictly defined under the terms of the 1951 Convention on the Status of Refugees as those fleeing persecution based on race, religion, national origin, political opinion, or membership in a social group. When someone meeting that definition arrives in another country, that individual can request asylum. If the application is approved, the person attains refugee status, which means that the destination country is required under international law to provide asylum and grant the refugee the same rights of free movement as any other legal foreign resident. As a result of this system, many countries actively try to prevent asylum seekers from crossing their borders so they cannot request refugee status.

It should be noted that the narrow legal definition of who constitutes a refugee excludes many who flee their home countries due to war and other types of violence, natural disasters, famine, or abject poverty. This critical distinction is sometimes invoked when countries wish to draw a hard line between those who are granted safe haven and those who are denied refugee status. Throughout this report we rely on the formal definition to distinguish between voluntary migrants vs. refugees and asylum seekers, but it is important to note that there may be millions who are technically classified as "voluntary migrants" but who nevertheless fled their homelands under brutal and life-threatening circumstances or who may live in their new destinations under coercion. These migrants may suffer from similar levels of trauma, destitution, and desperation as the refugee population, but their needs often go unrecognized and unsupported. This subset of "voluntary migrants" is impossible to count, but any effort to create a comprehensive integration policy should take these needs into consideration.

Voluntary migrants include five categories

The duration of stay and the skills that voluntary migrants bring often determine their role and experience in the destination country. (Chapter 2 contains a full discussion of migrant labor market outcomes in economies around the world.) Based on these characteristics, we define five types of voluntary migrants. Exhibit 8 shows the breakdown, as well as the regional concentration of each group.

- **Long-term, high-skill migrants.** These migrants, who have completed tertiary education, are often working professionals or successful entrepreneurs who move to another country for more than five years. We estimate that there are 52 million to 58 million such migrants across the world, with most of them concentrated in three developed regions: Western Europe, North America, and the GCC countries. This group represents 20 percent of total migrants in Western Europe, 27 percent in North America, and 28 percent in Oceania. These migrants bring valuable expertise and training; consider, for example, the highly skilled Indian and Chinese immigrants who play a large role in US high-tech, engineering, and scientific fields. As Chapter 2 describes, this segment makes a large contribution to productivity and often fosters innovation and high-impact entrepreneurship in destination countries.

- **Long-term, medium- to low-skill migrants.** This is the biggest group by far, which we estimate at 127 million to 140 million people worldwide. They include a mix of low-skill (those with lower-secondary education or below) and medium-skill (those who have completed secondary education but no tertiary education) long-term migrants.

Many work in highly manual occupations such as those in the construction and service industries. They often fill labor needs in low-skill industries, enabling native-born workers to move to higher-productivity jobs.

Exhibit 8

Most migrants make long-term voluntary moves, and most are low- or medium-skill

Migrant population by type of migrant, 2015 estimates[1]

Reason	Duration	Skill level	Number of migrants Million	Share of total %	Top two destination regions Million migrants: North America	Top two destination regions Million migrants: Western Europe
Voluntary	Long term[2]	High	52–58	22	14–16	9–12
		Medium/ low	127–140	54	29–32	34–38
	Short term[2]	High	6–7	2	1–2	1–2
		Low	22–24	9	4–5	2–3
	Circular	Low[3]	4–5	2	1–2	~1
Refugees and asylum seekers		Mixed	24–25	10	~0.7	2–3

1 2015 estimates and ranges are calculated based on 2010 skill mix data from OECD (percentage of migrants by skill level), press search for short-term and long-term migrant estimates for OECD and non-OECD countries, and growth in migrant stock numbers from 2010 to 2015.
2 Short-term migrants are those who stay in the destination country for less than five years; long-term migrants stay for five or more years.
3 Includes 600,000 Association of Southeast Asian Nations (ASEAN)-Australia route high-skill migrants.

SOURCE: UNDESA; OECD; press search; McKinsey Global Institute analysis

- **Short-term, high-skill migrants.** This group totals about six million to seven million, 4.1 million of whom are students with tertiary education. Some of them become long-term migrants. This category also includes roughly two million highly skilled temporary workers who make time-limited moves to work in another country before returning to their origin country. Their duration of stay is usually linked to their visa type, such as the H-1B visa held by many specialized foreign workers in the United States.

- **Short-term, low-skill migrants.** These are migrants who often arrive without their families or without documentation, generally in search of better wages to send remittances back to their families or to accrue savings before returning to their country of origin. There are some 22 million to 24 million short-term, low-skill migrants, the majority of whom are concentrated in the GCC countries. They typically stay less than five years, although a significant number of low-skill migrants in the GCC have stayed longer than five to seven years, some with little hope of family reunification.

- **Short-term, circular migrants.** A small number of migrants (approximately four million to five million worldwide) are "circular"—that is, they regularly enter and exit a destination country, often performing seasonal work in sectors such as agriculture. These migrants typically move legally to the destination country for less than six months and then return home. They often perform physically demanding jobs or those that do not require a tertiary education. An exception to the low-skill characterization of this segment is

a group of highly skilled circular migrants who make multiple trips between ASEAN countries and Australia under Australia's skilled temporary worker programs.

Refugees and asylum seekers are a small share of the world's total migrant population but account for some of the largest movements in short periods of time

While voluntary migration tends to be a steadier phenomenon, forced migration often occurs in unforeseen spikes. Although refugees and asylum seekers make up just 10 percent of the world's total migrants, recent surges in their numbers have galvanized the world's attention (Exhibit 9). Humanitarian crises forcing large numbers of people to seek safety in another country have contributed to large, sudden changes in migrant stock numbers. Over the past quarter century, ten of the top 25 migrant population increases over five-year periods were forced migrations. Crises in Africa and Asia have created some 80 to 90 percent of the world's refugees and asylum seekers over the past 25 years, with the majority of flows spilling into neighboring countries.

Forced migration rose sharply between 2010 and 2015. Not since World War II has the world seen such large numbers of people fleeing violence, conflict, and oppression. According to the UNHCR, forced displacement hit an all-time high in 2015, with more than 65 million people worldwide uprooted from their homes. The majority are internally displaced—that is, forced to abandon their homes but still remaining within the borders of their origin countries. Some 24.5 million are cross-border refugees.[35]

7
countries have produced
2/3
of the world's cross-border refugees

Just seven countries have produced two-thirds of the world's cross-border refugees: the State of Palestine (21 percent), Syria (21 percent), Afghanistan (12 percent), Somalia (5 percent), South Sudan (3 percent), Sudan (3 percent), and the Democratic Republic of the Congo (2 percent). From a regional perspective, 83 percent of refugees and asylum seekers are from three regions: the Middle East and North Africa (49 percent), sub-Saharan Africa (20 percent), and South Asia (14 percent).

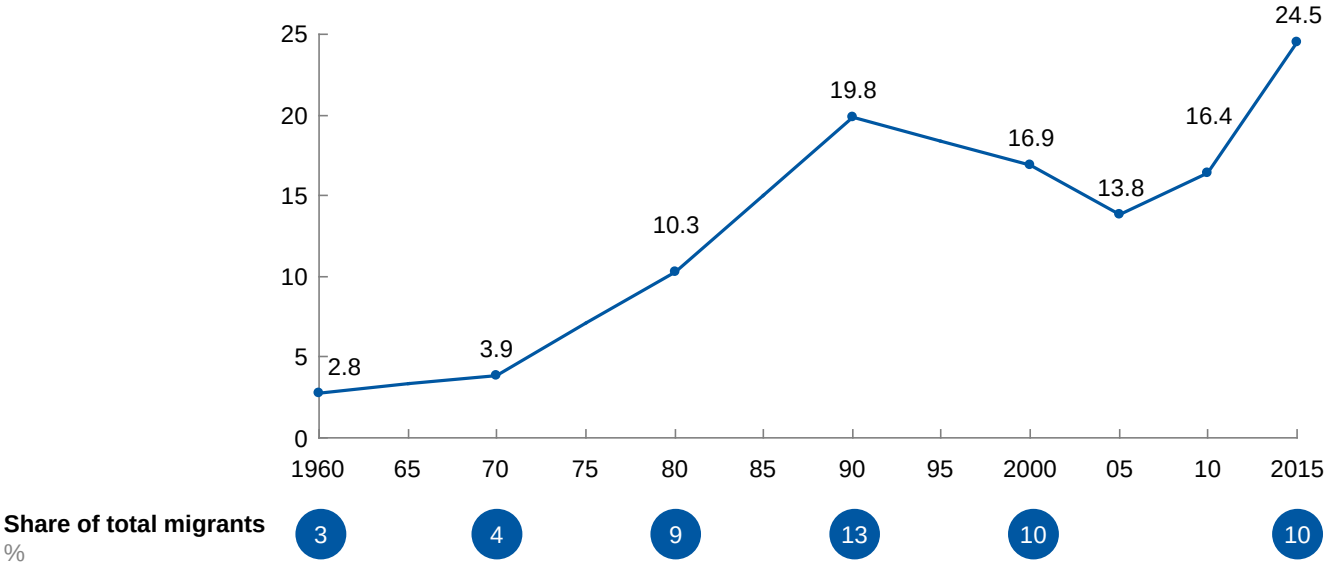
Refugees and asylum seekers differ from voluntary migrants in fundamental ways. They may have abandoned their homes with little notice or planning, and they may have suffered losses and trauma in the conflict that necessitated their escape. Children make up roughly half of refugees, in contrast to voluntary migrants, most of whom are working-age adults. Many arrive with few possessions or resources, unsure of their ultimate destination and perhaps separated from their families in the midst of chaos. Their immediate needs for shelter, medical care, food, and support services are acute. In many cases, huge populations remain stuck in bureaucratic limbo for months on end, with children out of school and adults unable to obtain permanent housing or permission to find work. But returning to their homeland may not be an option. Sudden spikes of migration leave governments in destination countries and NGOs, especially those in developing regions, scrambling to establish screening processes, medical and educational facilities, and shelter.

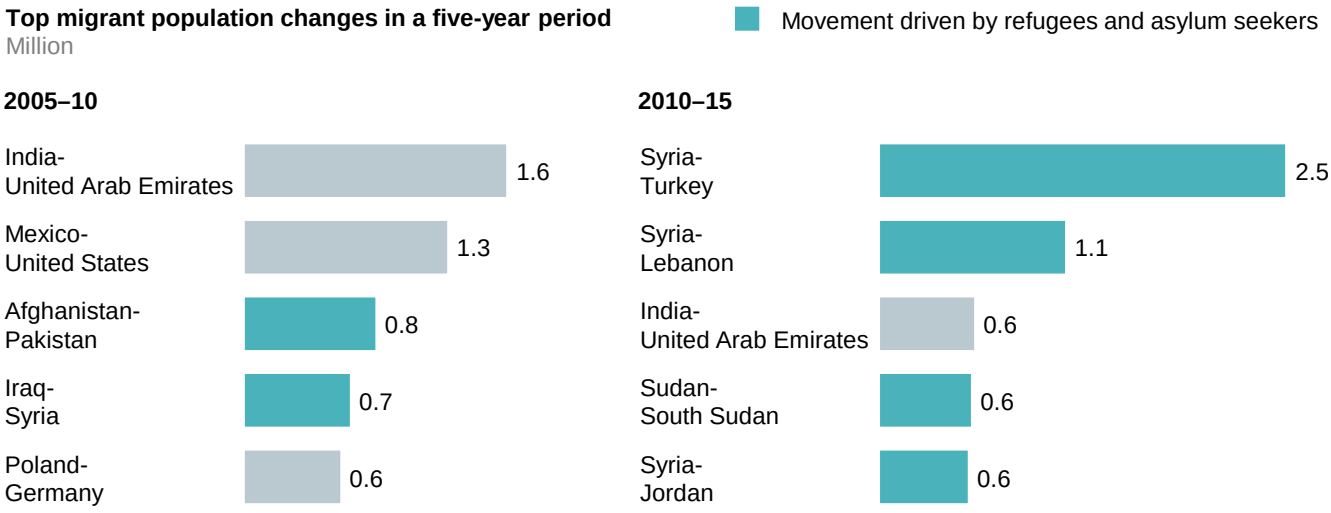
Some of the biggest recent flows have been from Syria to Turkey, Lebanon, Jordan, and Germany; from Afghanistan to Pakistan and Iran; and from Somalia and Sudan to other countries in Africa. Because refugees tend to flee to neighboring countries, the developed world has historically absorbed a relatively small proportion of refugees. In fact, the Middle East and North Africa region has absorbed roughly half of the world's refugees, while sub-Saharan Africa has taken in almost a quarter. Western Europe and South Asia (excluding India) are each the destination of approximately 10 percent (Exhibit 10).

[35] The plight of the approximately 40 million internally displaced persons seeking shelter from civil conflict and natural disasters elsewhere within their own countries is beyond the scope of this report.

Exhibit 9

Refugees and asylum seekers make up only about 10 percent of the world's migrants but have accounted for large short-term increases





SOURCE: United Nations High Commissioner for Refugees; United Nations Relief and Works Agency for Palestine Refugees in the Near East; UNDESA; McKinsey Global Institute analysis

The disproportionate burden of multiple refugee crises on the developing world, especially for the regions of MENA and sub-Saharan Africa, has been significant, although it is a story often overlooked by the rest of the world.[36] In MENA, the number of refugees and asylum seekers fluctuated between 2.7 million and 8.2 million from 1980 to 2010 and reached an all-time high of 12.0 million in 2015. In sub-Saharan Africa, this number has remained somewhere between 2.3 million and 5.5 million over the past 35 years. Within the Middle East and North Africa, many of the refugees who arrived from the 1980s through the early

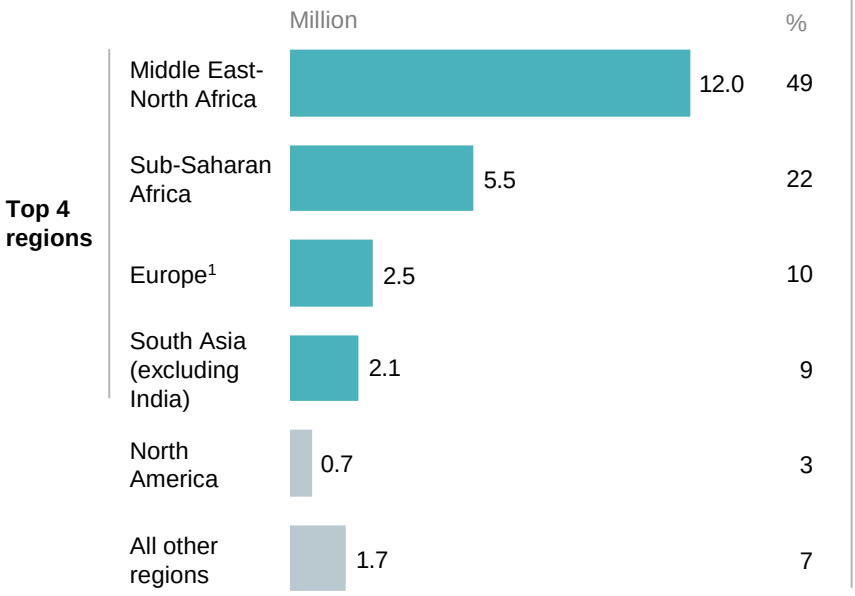
[36] MGI's analysis of global media coverage between January 2014 and June 2016 found that coverage of Syrian refugees in, entering, or affecting Europe was approximately 2.5 times that of the coverage devoted to refugees in Lebanon or Jordan individually, and 1.2 times the coverage devoted to those two countries combined. Germany alone received 1.5 times as much coverage as Lebanon or Jordan individually. Furthermore, the refugee situation in Europe received greater coverage than any other conflict or wave of forced migration in the Middle East, Africa, or other individual countries.

2000s went to Iran and Sudan. From 2006 to 2012, Syria experienced the next large spike and took in up to 1.5 million people fleeing Iraq.

Exhibit 10

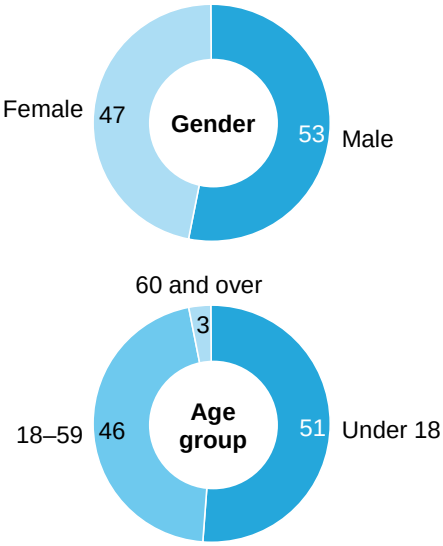
Ninety percent of the world's refugees and asylum seekers are in four regions; just under half are female and half are under the age of 18

Total refugees and asylum seekers by destination region, 2015



Refugees and asylum seekers, by gender and age group

% of total



1 EU-28, including the United Kingdom, plus Switzerland and Norway.

SOURCE: United Nations High Commissioner for Refugees; McKinsey Global Institute analysis

From 2014 to 2015, the number of refugees and asylum seekers in MENA surged to 12 million, driven by the conflicts in Syria and Afghanistan. The majority of them are now in Jordan (2.8 million), Turkey (2.7 million), Palestine (2.0 million), Lebanon (1.5 million), Iran (1.0 million), and Syria (0.6 million).

In sub-Saharan Africa, forced migration has been distributed throughout several countries as conflict in the region has evolved over time. In the early 1980s, civil war and famine in Ethiopia and Angola drove up to 2.6 million migrants to move to the Democratic Republic of the Congo and Somalia. In the 1990s, refugees fleeing war in Mozambique and Liberia found temporary shelter in Malawi and Guinea. By 2000, conflict in Burundi and the Democratic Republic of the Congo added some 700,000 refugees to the region's growing total. Today 11 countries in sub-Saharan Africa each host 125,000 to 1.2 million refugeees and asylum seekers, indicative of how a long history of war and conflict has spurred migration across the continent.

Developing nations close to the source of conflict have typically been called upon to facilitate the mass movement and resettlement of refugees and asylum seekers. Often lacking the requisite capacity and resources, these nations struggle to integrate migrants, sometimes further straining their own economic, social, and political fabrics in the process. But the most recent refugee crisis has spilled over to more far-flung developed nations that are also being called upon to respond to similar challenges (see Box 2, "The recent refugee movement to Europe").

Box 2. The recent refugee movement to Europe

For residents of advanced economies, it is all too easy to ignore humanitarian crises in remote parts of the world. But in the past two years, that detachment became impossible for Europe as chaos originating far away suddenly reached its shores. Most refugees flee to neighboring or nearby countries, which means that the developing world has always borne a disproportionate share of the burden in sheltering the world's refugees. But the most recent wave of violence and conflict has caused a surge of people from Syria, Afghanistan, and Iraq to leave the Middle East altogether and undertake long and often treacherous journeys to seek asylum in Europe.

The largest numbers are fleeing Syria's protracted civil war, which began in 2011. The conflict has claimed an estimated 150,000 to 450,000 lives and created an exodus that accounts for almost two-thirds of the growth in forced migration worldwide between 2010 and 2015. Millions of refugees from Syria have been living in Turkey and Jordan since 2011. Europe became formally active in 2013 via small-scale resettlement programs, but it was not until the crisis grew to major proportions in 2015 that Europe began to open its doors to large numbers of asylum seekers. During this period, a number of migrants began making the perilous journey by boat to Italy or Greece. Some have remained in Southern Europe, but others traveled north by train, bus, or any means available, sometimes using almost all of their financial resources. Their destinations were unfamiliar, but for many migrants, they represented the hope of finding assistance and earning a livelihood.

From the beginning of 2015 through the end of August 2016, roughly 2.3 million asylum seekers arrived in Europe (Exhibit 11). Six countries received approximately 80 percent of their asylum applications. Roughly 1.1 million have gone to Germany, while others have gone to Hungary (199,000), Sweden (172,000), Italy (155,000), France (119,000), and Austria (116,000). Of the refugees and asylum seekers who entered Europe in 2015, UNHCR data indicate that roughly 64 percent came from Syria, Afghanistan, and Iraq, with an additional 8 percent in total coming from Eritrea, Pakistan, Iran, and Somalia.

Assuming current asylum application acceptance rates remain constant, an estimated 1.3 million refugees will be permitted to stay in Europe under international protection, with roughly 1 million returning to their home countries.[1] These refugees will increase Europe's total immigrant population by approximately 2.2 percent and its total population by 0.2 percent. Given the concentration of applications in a few European countries, there is greater relative impact in a country such as Sweden, where the arrival of roughly 150,000 asylum seekers in 2015 represented an 8.6 percent increase in immigrants and a 1.6 percent population increase. In the case of Germany, accepting about 400,000 to 600,000 refugees would increase the population by 0.5 to 0.7 percent.

Such increases for European countries would be significantly smaller than those seen in countries neighboring conflict zones, which have absorbed larger relative numbers of migrants. Turkey has accepted nearly one million Syrian refugees in each of the past two years, for a 2.4 percent population increase. For Lebanon, the inflow represented a massive 18 percent population increase. Despite the heavy media coverage of the situation in Europe, an overwhelmingly large share of Syrian refugees have traveled to neighboring countries; 82 percent of the 5.1 million Syrian refugees are in Turkey, Lebanon, or Jordan. In fact, of all refugees and asylum seekers globally, only roughly 10 percent are in Europe.[2] The total across the continent is less than the number in either Jordan or Turkey individually.

The current influx is by no means the largest inflow of migrants that Europe has ever experienced. In fact, overall migration into Europe actually slowed significantly from 2010 to 2015 relative to the previous ten years. Europe's total migrant population rose by 4.1 million from 2010 to 2015, but this is less than half of the roughly nine million migrants who entered Europe in each of the five-year periods from 2000 to 2005 and from 2005 to 2010 (Exhibit 11 shows the trend over these time frames). During these earlier periods, the implementation of the Schengen Area allowed people from Eastern Europe to move west; in addition, some 4.3 million migrants arrived from the Middle East and North Africa, sub-Saharan Africa, and South Asia (excluding India).

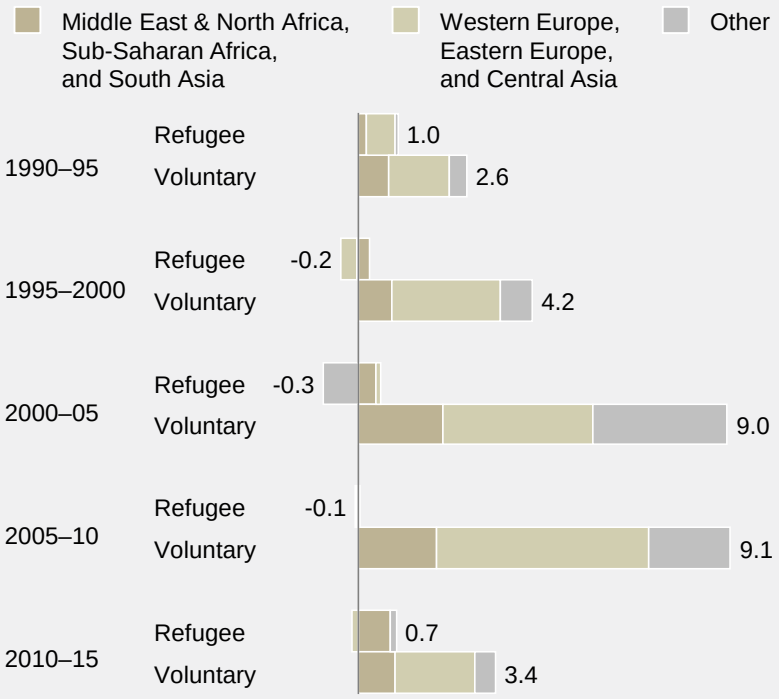
[1] From quarterly Eurostat data on "First instance decisions on applications by citizenship, age, and sex" between January 2015 and August 2016, combined with updated numbers for Germany based on tracked EASY Registration numbers.

[2] This refers to the 28 countries in the European Union, including the United Kingdom, plus Switzerland and Norway.

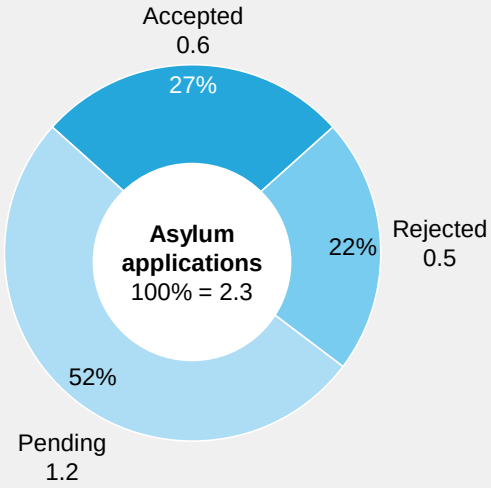
Exhibit 11

Europe has absorbed an increasing number of refugees and asylum seekers in recent years, but most have fled to neighboring countries

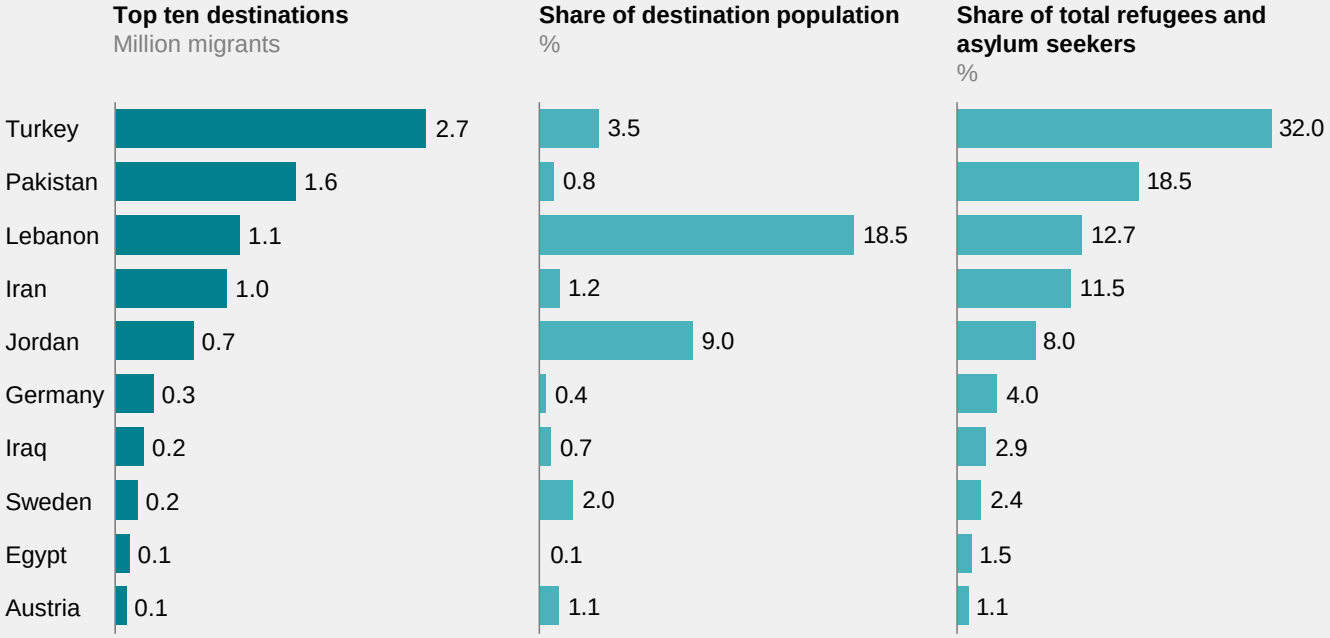
Migrant population change in Europe, by origin, 1990–2015[1]
Million



New asylum applications in Europe since the start of 2015 (estimates)[1]
%; million



Top ten destinations for refugees and asylum seekers from Syria, Afghanistan, and Iraq[2]



1 This comprises the 28 countries of the European Union, including the United Kingdom, plus Switzerland and Norway; numbers are through August 2016.
2 Based on data through the end of 2015. Excludes 900,000 recent forced migrants arriving in Europe.
NOTE: Numbers may not sum due to rounding.

SOURCE: UNDESA; United Nations High Commissioner for Refugees; McKinsey Global Institute analysis

Box 2. The recent refugee movement to Europe (continued)

However, while the recent inflow into Europe is significantly smaller in historical terms, the movement is unique in some regards. Virtually all of the migrants who entered Europe from 2000 to 2010 were classified as voluntary, but in 2015, Europe received more asylum applications (approximately 1.6 million) than in any other single year since World War II. The current level of forced migration into Europe has not been seen since 1990 to 1995, when most arrivals were fleeing the conflict in the Balkans in Eastern Europe. The overwhelming majority now come from the more distant Middle East and North Africa region.

Surveys of a subset of current Afghan and Syrian refugees arriving in Greece suggest that while flight to a neighboring country is largely motivated by the immediate need for physical security, moving onward to a more remote destination could be motivated by harsh living conditions and poor prospects in the country of first landing. These types of journeys are also facilitated by communication and information flows in the digital age.[3]

Processing applications has been a daunting task in and of itself. According to Eurostat data, roughly 1.1 million asylum applications have been processed across Europe from the beginning of 2015 through the end of the second quarter of 2016, with a 55 percent approval rate. Conversely, 45 percent have been rejected, meaning that those migrants will eventually be sent back to their countries of origin in the absence of a successful appeal. But the asylum application process is considerably backlogged, with some 1.2 million pending cases across Europe from just the applications filed since the beginning of 2015. With an estimated 250,000 additional arrivals in 2016, it is likely that many will be stuck in limbo awaiting decisions for some time to come. Deciding who is approved to stay is often a contentious question; Finland, for example, recently announced that it is safe for migrants to return to Afghanistan, Iraq, and Somalia.[4]

Many Europeans wish to offer aid and resources to refugees. In addition to making the humanitarian case, some argue that migrants can represent an economically beneficial boost to the labor force in aging societies such as Germany. Roughly half of asylum seekers who have arrived in Europe since the beginning of 2015 are between the ages of 18 and 34. In addition, about 70 percent of them are male—a gender mix that is very different from that of all migrants worldwide, 52 percent of whom are male.[5] Of those refugees in Germany, roughly one-third say they have had professional or academic training in the past.[6] In Germany, individual organizations and governments at both the national and local levels have launched a number of initiatives to help refugees acclimate to their new homes.

Yet the situation in Europe has tested the developed world's commitment to global refugees. Much of Europe has been struggling through years of fiscal austerity and slow growth, and against that backdrop, significant opposition to immigration has set in. MGI research suggests that a large proportion of middle- and low-income groups in Europe are experiencing flat or falling real incomes; when surveyed, many of these households expressed pessimism about the future and were more likely to hold particularly negative views about immigrants. In a recent Pew Research Center poll, almost 60 percent of respondents across Europe expressed concerns that refugees increase the likelihood of terrorism, and half said that they represented an economic burden by taking jobs and social benefits.[7] Concerns over immigration emerged as a central issue in the United Kingdom's recent vote to leave the European Union. These tensions underscore the fact that processing applications and rehousing refugee families are just the first of many steps in the years-long process of integration. Chapter 3 explores these issues in greater depth.[8]

[3] Based on a UNHCR survey in January 2016 of more than 400 Afghan and Syrian refugees who arrived in Greece in January, www.unhcr.org/news/briefing/2016/2/56cc4b876/unhcr-survey-finds-afghan-syrian-refugees-arriving-greece-fleeing-conflict.html.

[4] "Finland says refugees can return to safe Afghanistan, Iraq, and Somalia," *Reuters*, May 17, 2016.

[5] Per Eurostat data on asylum seekers and first-time asylum applicants from January 2015 to August 2016 by sex and age.

[6] According to self-assessment data from refugees in Germany as available in BAMF Kurzanalyse 2015, www.bamf.de/SharedDocs/Anlagen/EN/Publikationen/Kurzanalysen/kurzanalyse1_qualifikationsstruktur_asylberechtigte.pdf.

[7] "Europeans fear wave of refugees will mean more terrorism, fewer jobs," Pew Research Center, July 11, 2016, based on 10-country survey in spring 2016.

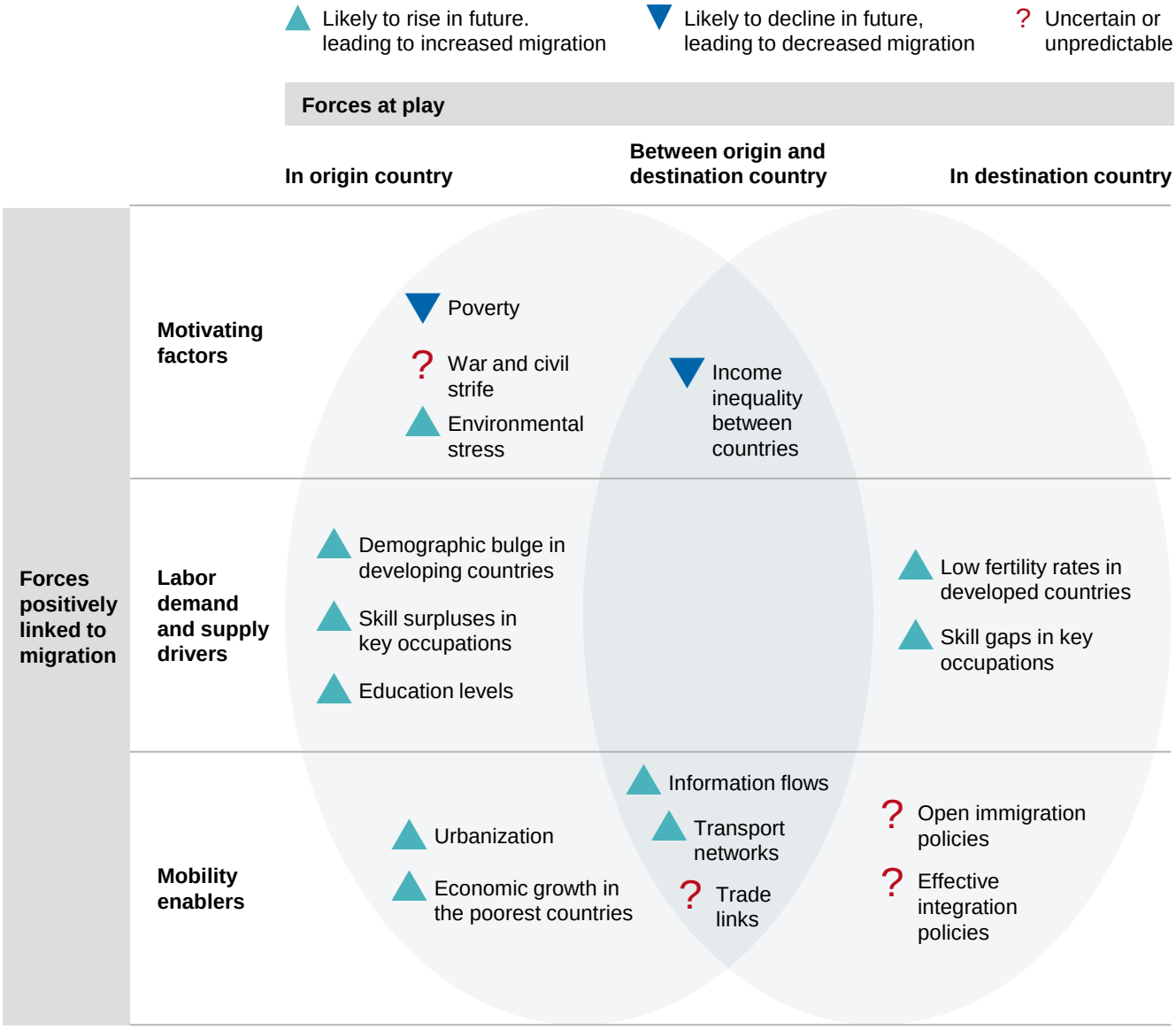
[8] See also *Europe's new refugees: A road map for better integration outcomes*, McKinsey Global Institute, December 2016.

MEGATRENDS POINT TO INCREASING WAVES OF BOTH VOLUNTARY AND FORCED MIGRATION IN THE FUTURE

In today's globalized world, a number of indicators point toward the possibility of migration increasing in the years ahead (Exhibit 12). While we have not shown correlations or created specific projections based on these trends, and actual migration flows are highly dependent on the policy choices countries make about whom they admit, a number of issues could spur people to move in even greater numbers. Taken together, these long-term trends create a compelling case that the world will need to craft more effective national policies and multilateral responses to prepare for these eventualities.

Exhibit 12

Migration is likely to increase in the decades ahead, driven by multiple factors in origin and destination countries


▲ Likely to rise in future, leading to increased migration
▼ Likely to decline in future, leading to decreased migration
? Uncertain or unpredictable
Forces at play
In origin country
Between origin and destination country
In destination country
Forces positively linked to migration
Motivating factors
▼ Poverty
? War and civil strife
▲ Environmental stress
▼ Income inequality between countries
Labor demand and supply drivers
▲ Demographic bulge in developing countries
▲ Skill surpluses in key occupations
▲ Education levels
▲ Low fertility rates in developed countries
▲ Skill gaps in key occupations
Mobility enablers
▲ Urbanization
▲ Economic growth in the poorest countries
▲ Information flows
▲ Transport networks
? Trade links
? Open immigration policies
? Effective integration policies

SOURCE: Ian Goldin, Geoffrey Cameron, and Meera Balarajan, *Exceptional people: How migration shaped our world and will define our future*, 2012; Flore Gubert and Christophe J. Nordman, *The future of international migration to OECD countries*, OECD, 2009; McKinsey Global Institute analysis

Both push and pull factors are at work. On the demand side, we note that rising nationalism has the potential to dampen migration growth. A recent MGI survey of native-born populations in France, the United States, and the United Kingdom whose incomes are falling found that 28 percent of this group felt that legal immigrants are ruining the culture and cohesiveness in society.[37] Regardless of these sentiments, however, developed economies with low fertility and aging populations have a growing need for labor, particularly in physically demanding occupations such as agriculture, construction, and hospitality.[38] With working-age adults set to decrease from 67 percent of the population in 2000 to 58 percent of the population by 2050, these regions will be in need of a demographic boost to maintain economic growth and improve old-age dependency ratios.[39]

On the supply side of the equation, a demographic bulge in developing nations will create an oversupply of low-skill working-age people. By 2050, only 14 percent of the population in developing economies is expected to be over 65 years of age. Competition for jobs may drive people to seek opportunities where they can find them. Additionally, investments in education in developing countries will give millions more the skills they need to participate in a more global labor market. India and China, for example, are on track to be the leading suppliers of graduates in the STEM fields of science, technology, engineering, and mathematics; they will provide two-thirds of the increase expected globally in science and engineering graduates through 2030.[40]

The ongoing trend of urbanization sets the stage for increased migration in several ways. People have been moving to cities for centuries, attracted by the possibility of finding jobs that could boost their standard of living beyond what they could achieve through farming. But today, as China and India rapidly urbanize, the largest shift from the countryside to the city ever seen in history is unfolding. The world's cities have been adding an average of 65 million people a year over the past three decades.[41] This brings millions of people closer to key enablers of international migration: networks, income, and education. As their incomes rise above the rural poverty level, they are better able to save the resources needed for bigger moves; they are in closer proximity to international travel hubs; and they are more aware of opportunities in the wider world. At the same time, urban population growth is outstripping the ability of governments to build adequate housing, infrastructure, and social services. These mounting pressures add to the incentives for people to move to countries where they can enjoy a better quality of life and access to essential services.

Generational shifts and widespread access to technology among younger people in developing countries could also support increased migration. A new generation of digital natives is growing up with access to international media and the ability to forge their own digital cross-border ties. Recent MGI research estimated that nearly 914 million people have at least one international connection on a social media platform, 44 million provide services to clients in other countries on the biggest digital marketplaces for freelance work, and some 12.6 million people take part in online courses developed and offered in other countries.[42] Today anyone with a smartphone has a greater awareness of the world beyond their own borders, and it is increasingly common for people to consider themselves "global citizens."[43]

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37 *Poorer than their parents? Flat or falling incomes in advanced economies*, McKinsey Global Institute, July 2016.

38 *The world at work: Jobs, pay, and skills for 3.5 billion people*, McKinsey Global Institute, June 2012.

39 Richard Dobbs, James Manyika, and Jonathan Woetzel, *No ordinary disruption: The four global forces breaking all the trends*, Public Affairs, 2015.

40 *The world at work: Jobs, pay, and skills for 3.5 billion people*, McKinsey Global Institute, June 2012.

41 *Urban world: Cities and the rise of the consuming class*, McKinsey Global Institute, June 2012.

42 *Digital globalization: The new era of global flows*, McKinsey Global Institute, March 2016.

43 A 2016 poll by GlobeScan for the BBC World Service, for example, found that 49 percent of respondents in 14 countries see themselves more as global citizens than as citizens of their own country, a sentiment that was stronger in emerging economies than in advanced economies. *Global citizenship a growing sentiment among citizens of emerging economies: Global poll*, GlobalScan poll for BBC World Service, April 2016.

Lastly, climate change and other environmental stresses may drive people from their homes. Low-lying coastal areas face an increased risk of catastrophic flooding. This is already unfolding as a slow-motion crisis in places such as the Solomon Islands, but scientists warn that regions such as Southeast Asia, which has multiple coastal megacities, are ultimately vulnerable.[44] Another scientific study warns that rising temperatures could force populations out of the Persian Gulf by the end of this century.[45]

•••

Hundreds of millions of people have taken the risk of leaving their homes in search of a better life. Collectively, they create an enormous impact on the economies and the social fabric of the places—developed and developing nations alike—where they attempt to put down roots. The following chapters quantify those effects at the global and national levels, exploring both the short-term costs and the long-term gains that can be realized as people move to safer and more productive environments.

[44] *Turn down the heat: Climate extremes, regional impacts, and the case for resilience*, World Bank, June 2013.

[45] Jeremy S. Pal and Elfatih A. B. Eltahir, "Future temperature in southwest Asia projected to exceed threshold for human adaptability," *Nature Climate Change*, volume 6, February 2016 (published online October 2015).

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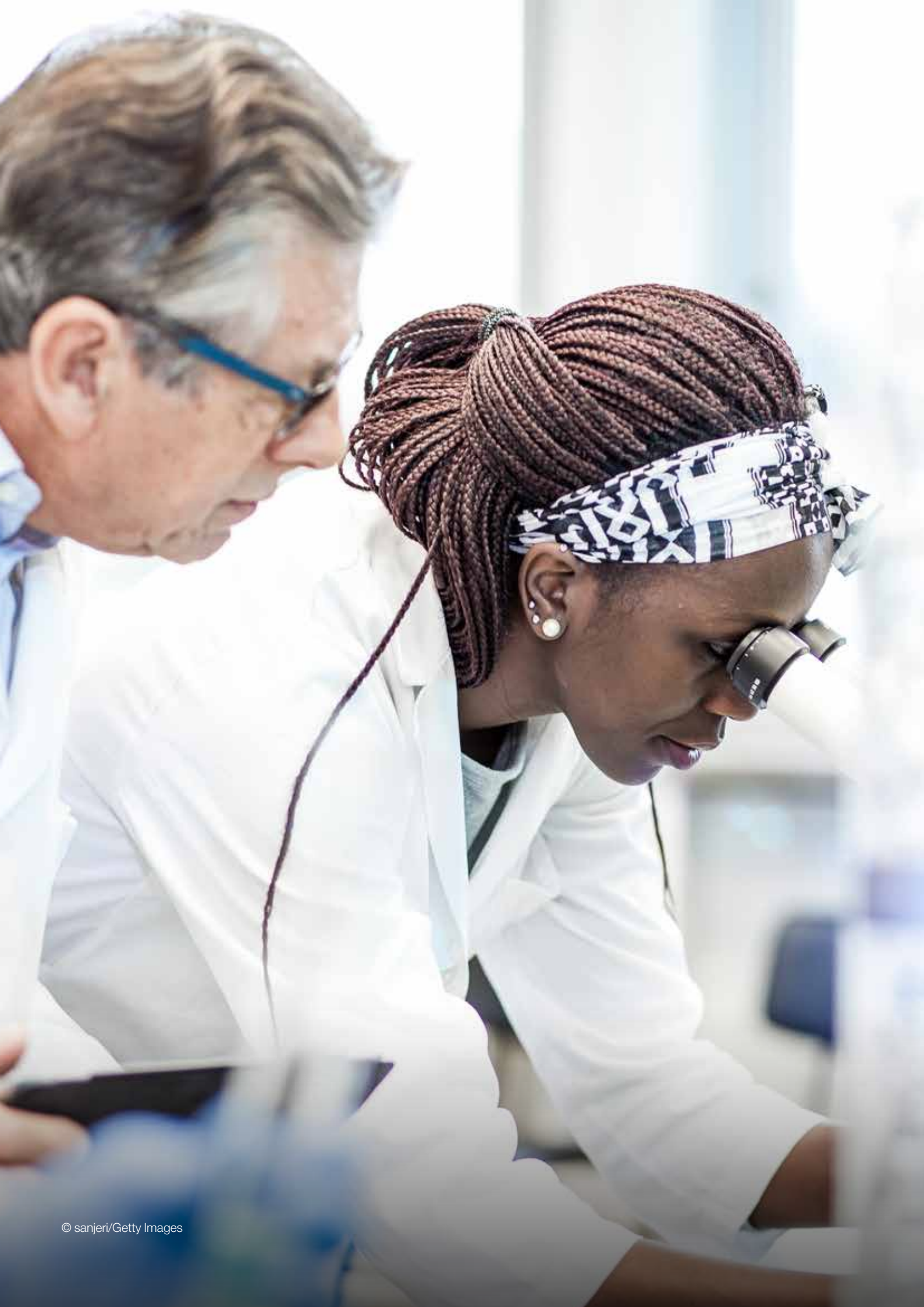

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2. MEASURING THE ECONOMIC IMPACT OF MIGRATION

At a global level, migration flows improve the allocation of labor to more productive regions and occupations. This can be an opportunity for destination countries to achieve growth by expanding their workforces and filling in labor force gaps, although some real costs and negative effects have to be factored into that equation. The short-term challenges can be significant for both migrant and native-born populations as well as national economies. These benefits and costs differ by geography, and they are affected by each location's ability to integrate new arrivals into the labor market and into society.

This chapter will examine migration's economic impact from multiple angles: the contribution to global GDP and which countries are capturing it; the impact on productivity and employment; the net fiscal impact; and the broader effects on both destination and origin countries. Migration entails some costs, hurdles, and investment requirements but yields a positive net economic impact for most destinations and at a global level. Short-term challenges have to be weighed against the long-term upside.

$6.7T
Absolute contribution made by migrants to global GDP in 2015

MIGRATION DRIVES GLOBAL PRODUCTIVITY, PARTICULARLY IN THE DEVELOPED ECONOMIES THAT ARE LEADING DESTINATIONS

After moving from their countries of birth, many migrants land in an environment where they have much greater potential to be productive in absolute dollar terms. This is particularly true for those who move voluntarily from developing to developed countries. For destination countries, migrants' subsequent effect on the overall output or GDP—or the absolute contribution—is a measure of the economic benefit realized by allowing immigration.

However, we also consider the fact that migrants would have made a contribution to global GDP if they had not undertaken a move at all. The difference between these numbers—that is, the incremental contribution—is important to consider at the aggregate level. It provides a valuable perspective by allowing us to compare the world's current output to what would occur in the absence of migration.

As the section below will detail, migrants of all skill levels make significant economic contributions, and the most pronounced impact occurs in a relatively small set of developed destination countries.

Migrants produced almost 10 percent of global output in 2015, increasing global GDP by 4 percent over what would occur in a world with no migration

The world's 247 million cross-border migrants made an absolute contribution to global output of roughly $6.7 trillion, or 9.4 percent of global GDP, in 2015.

To arrive at this number, which we believe is a conservative estimate, we consider the number of employed migrants, their skill levels, and the typical output per worker of each category of migrants, adjusting for the 20 to 30 percent lower wages (and lower implied productivity) of migrants compared with native-born workers. We look at these factors for all migrant workers in the world's origin-destination paths, using the definitions described in Chapter 1, and then sum the estimated output from migrants across all origin-destination pairs to arrive at the absolute global contribution.

In general, we find that migrants of all skill levels generate productivity gains in destination economies, even after taking into account differences in labor force participation rates, unemployment rates, and productivity levels as measured against those of native-born

workers of similar skill levels.[46] This estimate, however, does not completely capture the upside associated with the increased labor force participation of native workers. For example, immigrants who provide household services may increase female labor force participation among native-born women, an effect that is difficult to quantify due to data limitations. (For a detailed discussion of this approach and the assumptions that inform it, see the appendix.)

Migrants make up just 3.4 percent of the world's population but contribute nearly 10 percent of global GDP—and this disproportionate contribution can be largely explained by their movement to higher-productivity settings. To give just one broad example, an informal construction worker who nails by hand in Asia can be much more productive if he arrives in Atlanta and lands a job with a formal company that hands him power tools.

Of course, migrants would have made an economic contribution if they had remained in their countries of origin. But mobility magnified their productivity, creating incremental value. MGI estimates that this incremental contribution by migrants in their new destinations vs. their predicted output in their original home countries was $2.7 trillion to $3.2 trillion in 2015. In other words, the movement of labor to more productive regions has lifted global GDP by 4 percent over what it would be in a hypothetical world with no migration. (For a detailed discussion of the methodology behind this, see the appendix.)

Most of the economic benefits of migration are realized by a small set of leading destination countries

90%
of GDP contribution made by migrants is captured by developed economies

Developed nations are home to 65 percent of migrants worldwide and realize more than 90 percent of the absolute global GDP contribution made by migrants. Migrants contributed between $5.8 trillion and $6.3 trillion in 2015 to the economies of developed nations, about 13 percent of these nations' total GDP (Exhibit 13).

In contrast, migrants generated $600 billion in all of the world's developing nations combined, or a mere 3 percent of the total GDP in these countries. Not only do fewer migrants move to developing nations (which are home to roughly 35 percent of migrants worldwide), but this lower contribution is reflective of the lower per capita output in developing economies.

The vast majority of the economic benefits were captured in North America ($2.2 trillion to $2.5 trillion in 2015 GDP) and Western Europe ($2.2 trillion to $2.3 trillion). While the total contribution is smaller in sheer dollar terms, migrants had an outsized relative impact in the GCC states, where they generated nearly half of the region's GDP, and in Oceania, where they contributed roughly a quarter of regional GDP.

Viewed at the country level, we find that 90 percent of the economic boost generated by migrants in 2015 occurred within just 25 destinations, 12 of which are in Western Europe. Immigrants contributed about $3.6 trillion to GDP in the top five destination countries: $2 trillion in the United States (11 percent of its total GDP), followed by Germany ($550 billion, 17 percent), the United Kingdom ($390 billion, 14 percent), Australia ($330 billion, 25 percent), and Canada ($320 billion, 21 percent).

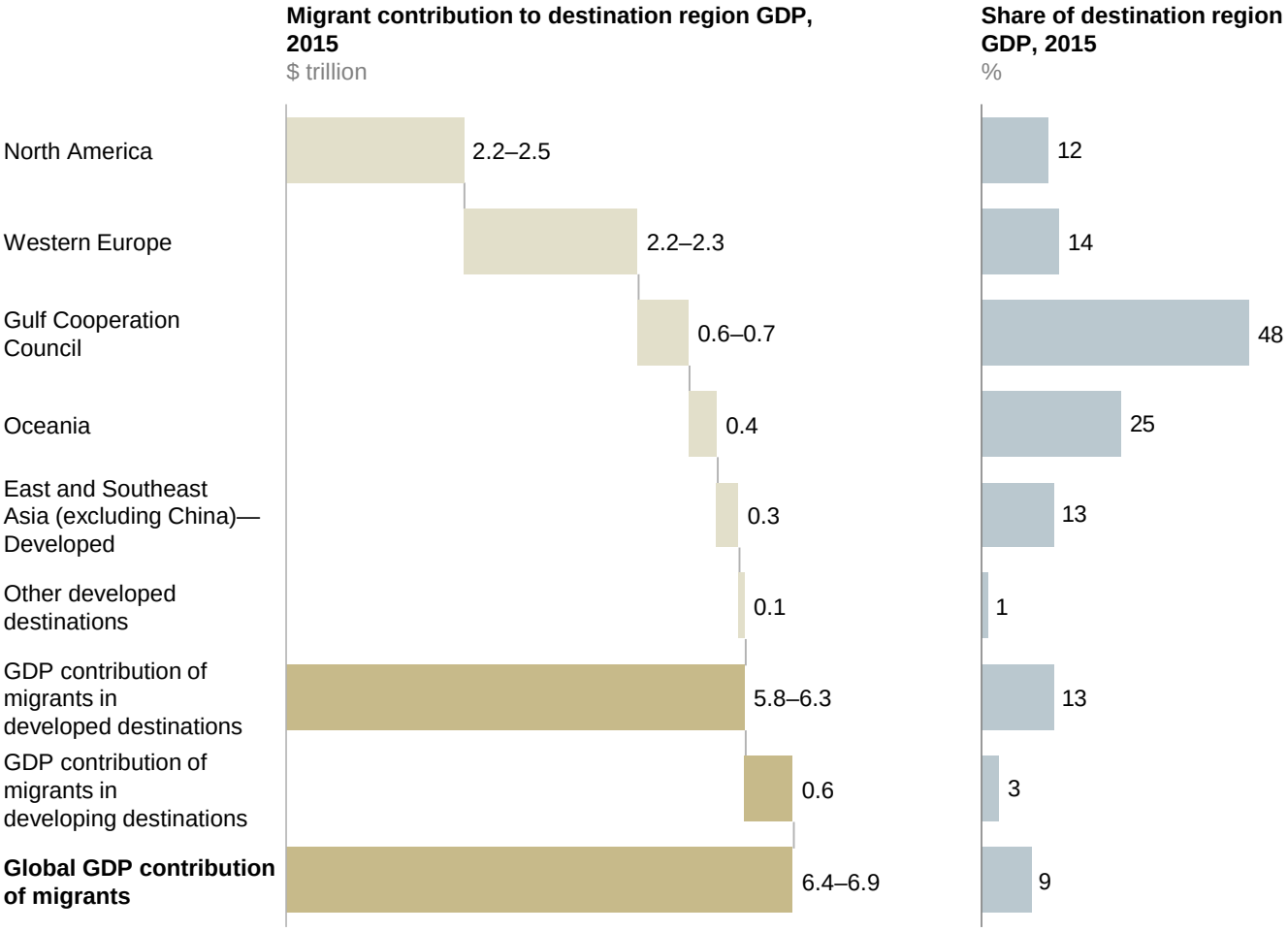
The range of contributions made by migrants as a share of each destination's overall GDP is fairly wide. For example, city-states such as Singapore and Hong Kong, which have recently accumulated high concentrations of immigrants, derive 35 to 39 percent of their GDP from immigrant workers. Countries that have absorbed larger numbers of migrants over a longer period of time, including Australia and Canada, derive between 20 and 30 percent of their GDP from immigrants. Finally, some countries that have admitted fewer migrants over time

[46] Our estimates do not net out the effect of outbound remittances from destination economies as we measure GDP, which includes all output produced in the country.

have seen smaller gains. Less than 2 percent of Japan's population is foreign-born, and less than 1 percent of its GDP is attributable to migrant workers.

Exhibit 13

In 2015 migrants contributed $6.4 trillion to $6.9 trillion, or 9.4 percent, of global GDP



SOURCE: UNDESA; United Nations High Commissioner for Refugees; OECD Database on Immigrants in OECD Countries; World Bank; US Bureau of Labor Statistics; Eurostat; IMF; McKinsey Global Institute analysis

Four of the top 25 destinations by migrant contribution to GDP are in the GCC: Saudi Arabia, the United Arab Emirates, Kuwait, and Qatar. As a region, the GCC is estimated to derive almost half (48 percent) of its GDP from migrant workers.[47] However, this must be interpreted in the light of unique local factors, including the fact that many of these countries have accumulated many of their migrants recently, particularly over the past five to ten years. In Saudi Arabia, foreign workers are on temporary contracts and are paid considerably less than Saudi nationals. They constituted more than half of the labor force but less than a quarter of total household income in 2013. The sponsorship system that ties visas to employers limits the ability of migrants to negotiate higher wages, suggesting a larger wage gap than the 20 to 30 percent we use as the global adjustment factor to estimate the GDP impact of migrants. As a result, the high GDP contribution made by migrants in Saudi Arabia does not necessarily translate into their overall well-being.[48]

[47] Due to limited data availability for Kuwait, Qatar, and the United Arab Emirates, we use assumptions based on data from Saudi Arabia to estimate the GDP contribution of migrants for these countries. Hence, our GCC estimates should be interpreted at a regional level rather than by country.

[48] *Saudi Arabia beyond oil: The investment and productivity transformation*, McKinsey Global Institute, December 2015.

~60%
of the global GDP impact is generated by migrants from developing nations

In terms of impact by origin, migrants from developing nations account for some $4.1 trillion (or roughly 60 percent) of the overall global impact. The largest share (14 percent) is contributed by those from Latin America, with another 11 percent contributed by migrants from developing Eastern Europe and Central Asia. Those from developed origins contributed some $2.2 trillion, with migrants from Western Europe generating 16 percent of the global total.

The top five pairs of origin and destination countries, as measured by economic impact, together account for some $800 billion of GDP impact, or 12 percent of the total global output from migrants. The United States is the destination country in three of these corridors, realizing the largest gains from workers who arrive from Mexico, India, and the Philippines. Mexican immigrants in the United States alone generate nearly $400 billion in GDP (roughly 2 percent of the total US GDP).

Women are an important element of the global migrant-led productivity boost, though their share of output is somewhat lower than their share of migrant population. MGI estimates that about 58 percent ($3.0 trillion) of total output from migrants in OECD destinations comes from male migrants and 42 percent ($2.1 trillion) from female migrants.[49] Demographically, male migrants make up about 48 percent of all migrants in OECD countries vs. 52 percent for females, so there is scope for female migrants to play a larger role in the economies of destination countries. While the working-age share is virtually equal across male and female migrants in OECD destinations, men are more likely to be active in the labor force and less likely to be unemployed than women of equivalent skill levels.

Evidence suggests that most of the migrant productivity effect stays in destination countries, although origin countries also benefit. Migrants typically earn higher wages when they move, and they recycle this income in the local economy by consuming goods and services. But a small share of this effect is transmitted to their countries of origin in the form of remittances.

Globally, cross-border remittances totaled $580 billion in 2014, which is 8.7 percent of the roughly $6.7 trillion of migrant-related output in that year. While only a small share of GDP typically exits the destination country, those sums may provide a large share of GDP in the receiving country. But there are some exceptions; countries with large immigrant populations generate significant outflows. Outgoing remittances are equivalent to about 19 percent of GDP in Luxembourg, for example, where immigrants make up 44 percent of the population. In Kuwait, where immigrants account for three-quarters of the population, remittances are equivalent to some 11.5 percent of GDP. (See the discussion on remittance inflows in countries of origin later in this chapter.)

Migrants have positive employment and wage prospects, but their wages tend to be 20 to 30 percent lower on average than those of native workers

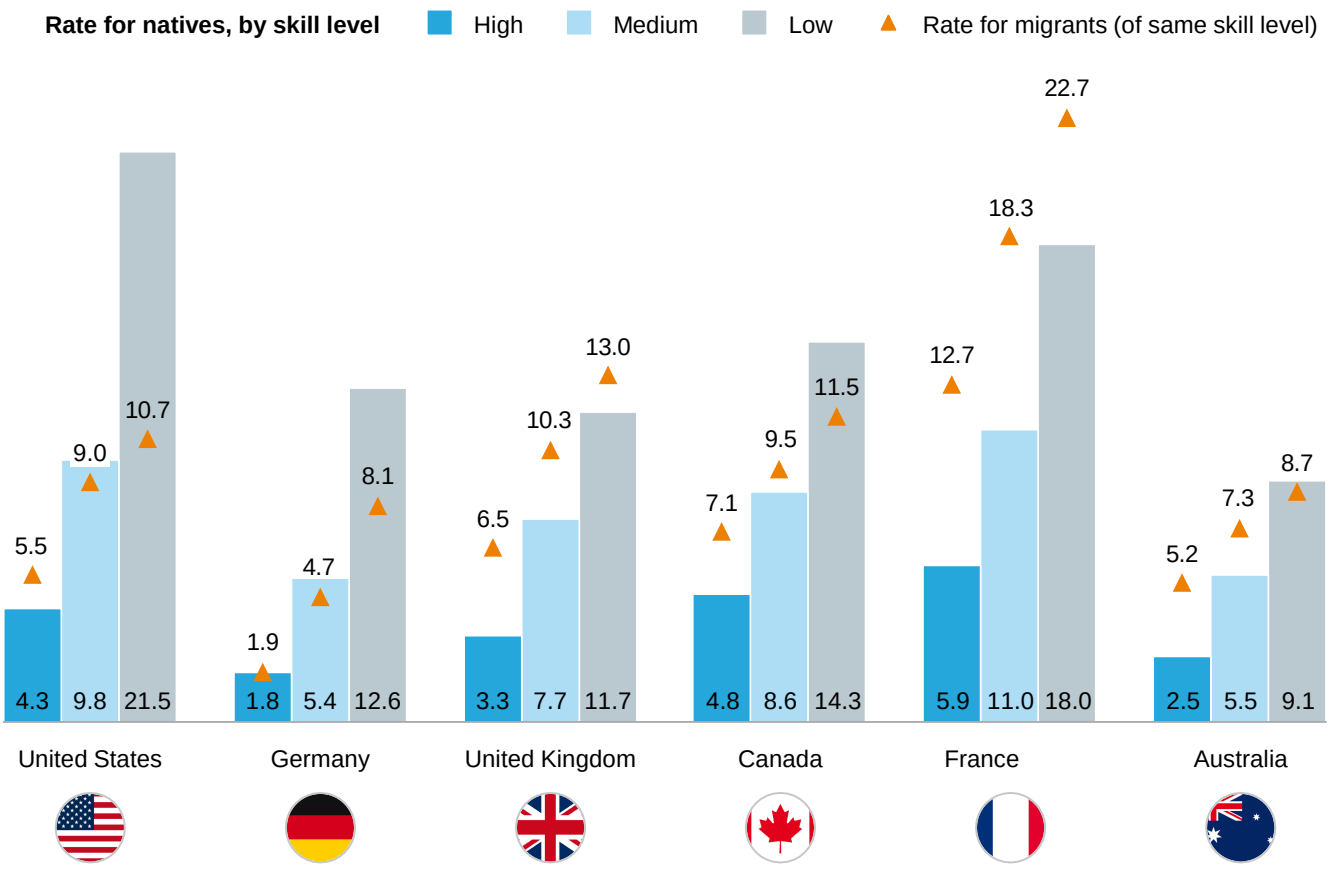
Unemployment rates are slightly higher for immigrants than for their native-born counterparts in most leading destinations, but this varies greatly by skill level and by destination (Exhibit 14). In the United Kingdom, for example, migrants of all skill levels were less likely to be employed than native-born citizens in 2010. But in the United States and Germany, medium- and low-skill migrants were actually more likely to be employed, while high-skill migrants were less likely to be employed than their native-born counterparts. In general, migrants in Europe tend to fare worse than migrants in the United States and Australia. But even within the same destination, outcomes may vary for immigrants from different countries of origin.

[49] It is possible to estimate economic contribution by gender only within OECD countries (which account for 78 percent—or roughly $5.4 trillion—of total contribution from migrants to global GDP), due to poor data availability outside the OECD.

Exhibit 14

In many top destinations, migrants have slightly higher unemployment rates than natives across skill levels

Unemployment rate of migrants and natives, by skill level, 2010
%



SOURCE: OECD Database on Immigrants in OECD Countries; McKinsey Global Institute analysis

In general, immigrants may find it harder to secure jobs due to a number of factors, including having to navigate unfamiliar customs or learn a new language. But this effect usually diminishes over time as immigrants adjust to their destinations. Refugees in particular start out with lower employment rates than other migrants, an outcome that is unsurprising since their moves are usually undertaken in haste, with no opportunity to secure jobs in advance. But they, too, are eventually absorbed into labor markets, and over the longer term, their employment outcomes become comparable to those of other immigrants.[50]

The time it takes for migrants to find employment varies across destination economies. This is often determined by policy choices, such as making entry contingent on having employment secured or instituting long bureaucratic processes for obtaining work authorization after arrival. The GCC states, for example, typically require migrants to have employment secured as a condition of entry—and they must remain employed to maintain legal residence. Asylum seekers in the United States are not granted work permits until their asylum applications are approved or until 180 days have elapsed since their application filing.

[50] Shekhar Aiyar et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016; based on evidence from the European Social Survey Rounds 1–6, in Figure 3: Immigrant outcomes relative to natives.

Short-term unemployment of migrants can be exacerbated in locations that absorb a large influx of new arrivals in a short period of time. This can occur due to processing or administrative delays as well as a slow rate of absorption of the migrants into the local labor market. In Germany, for example, refugees are unable to obtain regular employment contracts for at least three months after their asylum applications are filed, and are instead given tasks (such as giving out food in a reception center) while awaiting a decision. This application process can leave them stuck in limbo for long periods. Most applications take roughly five months, but many non-Syrian applicants are rejected on the first attempt, resulting in appeals that can drag on for up to three years.[51] This increases the costs of supporting asylum seekers in the interim when they are legally unable to earn a livelihood.

Voluntary migrants, especially those moving from developing to developed nations, typically find opportunities to earn higher wages in their destination countries. One study found, for example, that a Peruvian male with nine years of schooling who might earn $452 per month in Peru can make $1,714 a month in the United States. Highly skilled migrants can boost their wages by four to six times by moving.[52]

However, studies across different countries in Europe and North America over time suggest that migrant workers, on average, earn wages that are 20 to 30 percent lower than those of comparable native-born workers. One review that surveys nine separate studies and 75 estimates shows the migrant-native wage gap ranges from 10 percent to 60 percent and persists even within similar education levels or occupations.[53]

Several underlying explanations contribute to this wage gap. Many migrants face language barriers and may be unfamiliar with the landscape and nuances of their destination labor markets, which reduces their ability to negotiate or command wages similar to those of native-born workers.[54] Employers may not recognize or accept their educational or professional credentials or references from other countries.[55] In some cases, there is outright discrimination at work.[56] Many immigrants, particularly those who are low-skill or undocumented, lack the awareness or resources to claim their rights. Additionally, migrants may face legal restrictions on their ability to work, their terms of employment, or their freedom to switch jobs.[57]

Over the long run, immigrants gain local experience, fluency in the local language, and a better understanding of how to read signals in the destination economy's labor market. This is particularly so in the case of low-skill migrants who face a language barrier on arrival. As

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51 Ben Mauk, "How refugees find jobs in Germany," *New Yorker*, December 7, 2015.

52 Ian Goldin, Geoffrey Cameron, and Meera Balarajan, *Exceptional people: How migration shaped our world and will define our future*, Princeton University Press, 2012.

53 See Shekhar Aiyar et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016, and Sari Pekkala Kerr and William R. Kerr, *Economic impacts of migration: A survey*, NBER working paper number 16736, January 2011. Estimates were calculated using sample averages reported in the studies. Wage differences are reported as mean or maximum-minimum differences for various immigrant groups. Differences control for immigrant observable characteristics in most cases.

54 Carola Burkert and Anette Haas, *Investing in the future: Labor market integration policies for new immigrants in Germany*, European Union, International Labour Organisation, and the Migration Policy Institute, November 2014; Audrey Singer, *Investing in the human capital of immigrants, strengthening regional economies*, Metropolitan Policy Program at Brookings, September 2012.

55 Linda Rabben, *Credential recognition in the United States for foreign professionals*, Migration Policy Institute, May 2013; René Houle and Lahouaria Yssaad, "Recognition of newcomers' foreign credentials and work experience," *Perspectives on Labour and Income*, volume 11, number 9, September 2010.

56 See, for example, Victoria M. Esses, Caroline Bennett-Abu Ayyash, and Natalia Lapshina, "How discrimination against ethnic and religious minorities contributes to the underutilization of immigrants' skills," *Policy Insights from the Behavioral and Brain Sciences*, volume 1, number 1, October 2014; Agnieszka Kosny, Iracema Santos, and Alison Reid, "Employment in a 'land of opportunity?' Immigrants' experiences of racism and discrimination in the Australian workplace," *Journal of International Migration and Integration*, March 2016; and Philip Oreopoulos, *Why do skilled immigrants struggle in the labor market? A field experiment with six thousand resumes*, NBER working paper number 15036, June 2009.

57 Robert C. M. Beyer, *The labor market performance of immigrants in Germany*, IMF working paper number 16/6, January 2016.

a result, over time, the wage gap narrows as they find jobs that are a better fit or move into higher-paying industries and occupations.[58]

Both high- and low-skill immigrants contribute to productivity in destination countries

In countries around the world, migrants of all skill levels have a positive impact on productivity. Some are skilled professionals, others are entrepreneurs and innovators, and many free up native-born workers to take on higher-value work. In fact, the contribution to global GDP output made by low- and medium-skill migrants is comparable to that of high-skill migrants (Exhibit 16).

Highly skilled immigrants with education, expertise, or creativity can have tremendous success and impact in a wide range of fields—from science, medicine, and technology to business, education, and the arts. In some cases, immigrants have an outsized impact in high value-added sectors. Migrants are risk-takers almost by definition, and for many of them, this quality also translates into an entrepreneurial inclination. In countries around the world, immigrants contribute disproportionately to new business formation, innovation, and job creation. The most notable example of this phenomenon is in the United States (see Box 3, "The impact of immigrants on productivity in the United States"), but this is also observable on a global scale. In Australia, for example, the founders of Meriton, Merivale, Tech Mpire, and DigitalX, all large multimillion-dollar companies, are immigrants.

Contrary to the popular image of the highly innovative, foreign-born CEO in Silicon Valley, however, most immigrant entrepreneurs fall into the low- or medium-skill category, and they start businesses in industries such as retail, construction, or hospitality. These and other small service-oriented enterprises can have positive ripple effects. Within OECD countries, immigrant entrepreneurs provide employment for one or two people, including the business owner.[59] One study found that immigrants have launched one out of every seven companies in the United Kingdom, and immigrants are nearly twice as likely as UK-born individuals to be entrepreneurs.[60] Another found that 5.3 percent of immigrants to Canada had formed a company within their first decade in the country, and almost 20 percent of immigrants overall identified as unincorporated self-employed, a larger share than native-born Canadians.[61] Migrants of all skill levels contribute greatly to their destinations by forming new businesses of all sizes.

Beyond entrepreneurship, low- and medium-skill migrants make significant economic contributions by providing the labor needed within specific industries. They often gain a foothold in the destination country's labor market by filling immediate job vacancies that locals do not want. In Saudi Arabia, for example, foreign workers, many of them from South Asia, make up the vast majority of the workforce in sectors such as personal services and retail and wholesale trade; they also account for nine out of ten workers in the construction sector.[62] In Australia, almost two-thirds of taxi and other transport drivers are foreign-born, and more than half of those employed in clothing manufacturing and poultry processing are immigrants.[63]

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58 Barry R. Chiswick, "The effect of Americanization on the earnings of foreign-born men," *Journal of Political Economy*, volume 86, number 5, 1978; Shekhar Aiyar et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016.

59 "Migrant entrepreneurship in OECD countries," in *2010 International Migration Outlook: Migration key to long-term economic growth*, OECD, 2010.

60 *Migrant entrepreneurs: Building our businesses, creating our jobs*, Centre for Entrepreneurs and DueDil, March 2014.

61 David Green et al., "Business ownership and employment in immigrant-owned firms in Canada," *Economic Insights*, March 2016.

62 *Saudi Arabia beyond oil: The investment and productivity transformation*, McKinsey Global Institute, December 2015.

63 *The place of migrants in contemporary Australia: A summary report*, Australian Government Department of Immigration and Border Protection, July 2014.

Box 3. The impact of immigrants on productivity in the United States

The United States has the largest population of immigrants worldwide by a factor of almost four—and it is also the place where their productivity impact can be most clearly seen. This impact ranges from immigrants who start companies that provide new jobs, create knowledge, and invent new technologies to service workers who enable the native-born population to engage in more productive work.

Highly skilled immigrants have had a striking impact on US innovation capabilities and on the nation's startup ecosystem. Even as overall immigration to the United States slows, the number of immigrants entering with bachelor's degrees or above is increasing.[1] As of 2015, foreign nationals held slightly more than half of all patents filed in the United States.[2] Approximately half of all venture capital–backed firms and 30 percent of such firms taken public have at least one immigrant founder. Furthermore, a 2016 study found that more than half of US startups valued at $1 billion or more that have yet to go public—the so-called unicorns with potential for high growth and job creation—have at least one immigrant co-founder. These include companies such as Uber, SpaceX, Mu Sigma, Cloudera, and WeWork.[3] Viewed over a longer period, the impact is even more striking: some 40 percent of all Fortune 500 companies, employing close to ten million people worldwide, were founded by first- or second-generation immigrants.[4]

Low- and medium-skill immigrants, too, make a significant contribution to US business formation. Immigrants accounted for 28.5 percent of all new US businesses formed in 2015 despite accounting for just 14.5 percent of the overall US population. In addition, they are almost twice as likely as the native-born population to found their own business.[5] But while immigrant entrepreneurship is often celebrated, low-skill immigrants make other important contributions to productivity. One of the biggest positive contributions is the fact that they enable native-born workers to move into more productive jobs. The presence of lower-skill migrants helps natives of all skill levels shift into more communication-intensive roles.[6]

Immigrants in the United States disproportionately fill lower-wage occupations, freeing up native-born workers to pursue other occupations. According to the US Bureau of Labor Statistics, 38.8 percent of the nation's immigrants work in the two lowest-wage categories—service occupations and production, transport, and material moving occupations—compared with just 27.3 percent of natives (Exhibit 15). Immigrants make up more of the workforce in all service occupations except for protective service. In contrast, the proportion of native-born workers in sales and office jobs and in management and professional jobs outweighs that of foreign-born workers.

As immigrants took on more low-skill jobs, the education levels of native-born workers also improved markedly in the past few decades. In 1950, just 50 percent of the employed population in America had at least a high school diploma, but by 2010, that share was up to 95 percent. This is in contrast to just 75 percent of immigrant workers in America who have at least a high school diploma. Over time, native workers have been able to gravitate toward preferred roles that demand greater skills.

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1 Brian Schaitkin, *Importing a solution: Can immigration help mitigate looming labor shortages?* Conference Board, September 2016.

2 US patent statistics chart, calendar years 1963–2015, US Patent and Trademark Office data.

3 Stuart Anderson, *Immigrants and billion-dollar startups*, National Foundation for American Policy, March 2016.

4 *The "New American" Fortune 500*, Partnership for a New American Economy, June 2011.

5 *Kauffman index of startup activity: National trends*, Ewing Marion Kauffman Foundation, 2015; Robert W. Fairlie, *Open for business: How immigrants are driving small business creation in the United States*, Partnership for a New American Economy, August 2012.

6 Giovanni Peri and Chad Sparber, *Highly educated immigrants and native occupational choice*, September 2010.

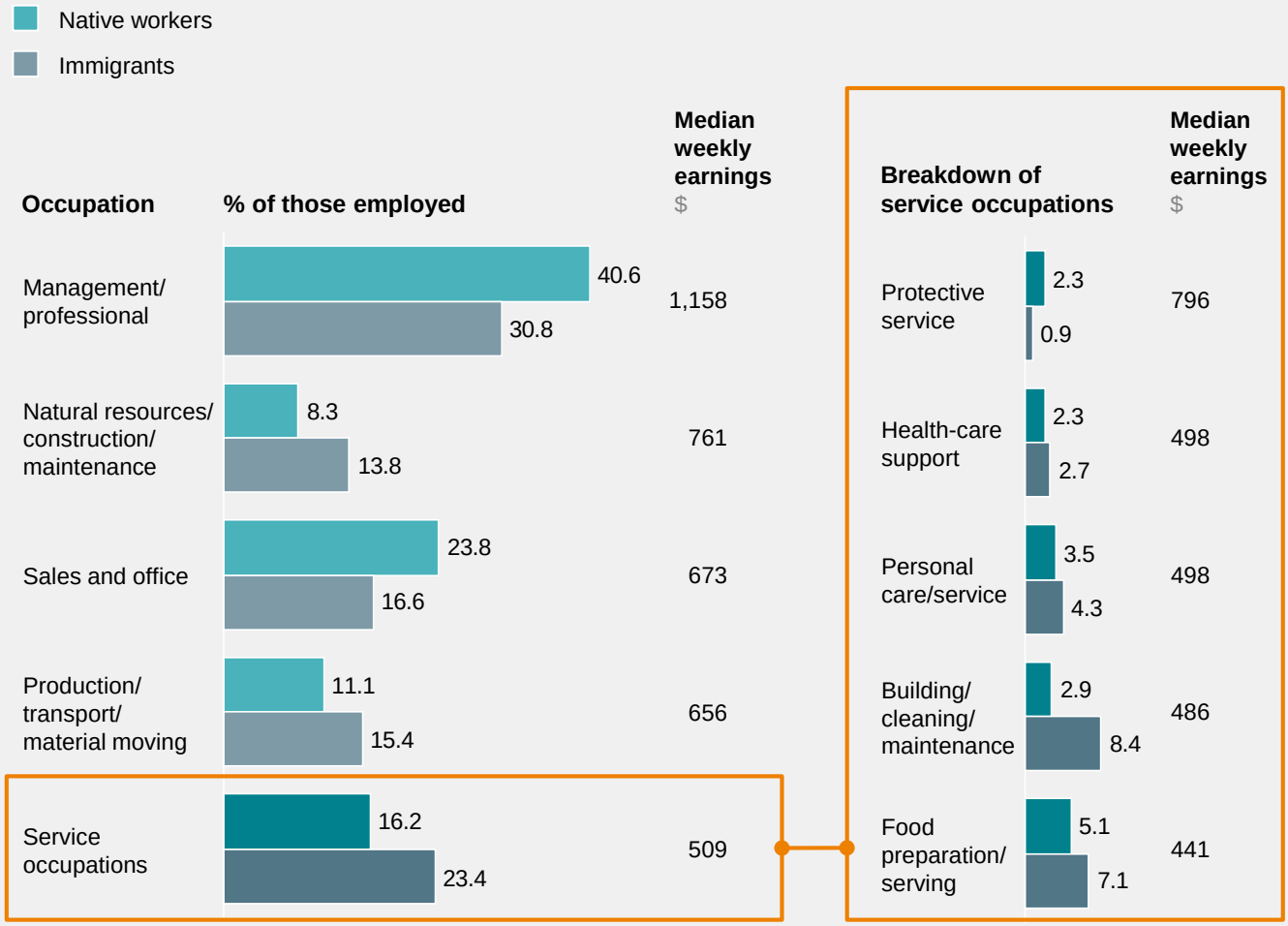
Box 3. The impact of immigrants on productivity in the United States (continued)

Viewed another way, relatively few native-born workers in the United States are in low-skill, physically demanding jobs, leaving many types of manual labor to immigrants. According to the O-Net database, the work performed by immigrants scores much higher on physical intensity, while native-born workers are twice as likely to work in office, administrative, and sales jobs than immigrants of similar skill levels.[7] Additionally, immigrants are typically more willing to move to seize work opportunities as they arise. In the aftermath of Hurricane Katrina, for example, 100,000 migrants flocked to Louisiana for work.[8]

Regardless of skill level, foreign-born workers are an integral part of America's workforce. While highly educated immigrants have founded and built some of today's most recognizable brands, less educated immigrants also contribute greatly to entrepreneurship. In addition, the willingness of lower-skill immigrants to take on jobs in lower-wage sectors and occupations frees up natives to take on more productive roles.

Exhibit 15

In the United States, migrant workers are more concentrated in lower-wage occupations than native workers



NOTE: Numbers may not sum due to rounding.

SOURCE: US Bureau of Labor Statistics; McKinsey Global Institute analysis

[7] Occupational network database published by the US Department of Labor.

[8] Madeline Zavodny and Tamar Jacoby, *Filling the gap: Less-skilled immigration in a changing economy*, American Enterprise Institute, June 2013.

Exhibit 16

The economic contribution made by medium- and low-skill migrants is roughly equal to that of high-skill migrants

Migrant segments

Absolute contribution to global output by region, 2015
$ billion

Reason	Duration	Skill level (typical)	Developed regions: North America	Western Europe	Oceania	Gulf Co-operation Council	South-east and East Asia	Other	Developing regions	Total $ trillion
Voluntary	Long term	High	1,050–1,130	735–775	170–180	200–225	115–130	~30	~325	2.6–2.8
		Medium/ Low	865–955	1,170–1,255	125–130	150–170	145–165	35–40	~175	2.6–2.9
	Short term	High	150–160	140–150	~50	5–10	~20	~5	~10	0.4
		Low	125–140	85–90	~5	270–310	~0	~0	~10	0.5
	Circular	Low[2]	45–50	20–25	15–20	~0	~0	~5	~5	0.1
Forced[1]		Mixed	~15	~50	~5	~0	~0	~0	~100	0.2
Total $ trillion			2.2–2.5	2.2–2.3	0.4	0.6–0.7	0.3	0.1	0.6	6.4–6.9

1 Refugees and asylum seekers.
2 Includes 600,000 ASEAN–Australia route high-skill migrants.

SOURCE: UNDESA; OECD Database on Immigrants in OECD Countries; World Bank; US Bureau of Labor Statistics; Eurostat; IMF; McKinsey Global Institute analysis

Even immigrant workers who perform household services, such as nannies and housekeepers, free up native-born women from care work and boost their labor-force participation. Imagine a young Filipina who earns $2,000, the median annual wage in her homeland. She moves to the United States to work as a live-in nanny, and in doing so, raises her income to the median wage of $13 an hour, or $27,000 a year. Her child-care work frees the mother to go back to her old job, which pays $95,000 a year. In this example, a single person's move has a ripple effect that enables some $120,000 in output. Thus, the presence of low-skill migrants often affords native-born workers the opportunity to move up into more desirable occupations, and these effects cascade throughout destination labor markets.

IMMIGRATION CAN CREATE BROADER LONG-TERM BENEFITS IN DESTINATION ECONOMIES

Besides contributing to output today, immigrants provide a demographic boost to the current and future labor force in destination countries. This could be a major benefit for developed economies with aging populations, which face the prospect of dampened growth and unsustainable pensions.

Improving the old-age dependency ratio is of critical importance to countries where most public pensions have a pay-as-you-go structure (that is, they use revenue from current contributions to make payments). Many developed countries are likely to see a continuous increase in old-age dependency ratios over the next couple of decades if current migration rates are assumed (Exhibit 17).

Pension liabilities have been growing in many countries, and without a larger working-age population to improve the dependency ratios, many plans could become unsustainable. In Germany and France, for example, the ratios of pension benefits to pension contribution revenue are 1.5:1 and 1.1:1 respectively, and have been continuously growing.[64]

A particularly striking example is Japan, which in 2015 had an old-age dependency ratio of 43.3, the highest in the world. This ratio is also projected to climb faster than that of any other country, potentially reaching 70.9 by 2050.[65] Although Japan's economy could benefit from a demographic boost, the country has historically limited immigration. It has no birthright citizenship law, for instance, making it difficult for migrants to remain on a permanent basis. Today less than 2 percent of the country's population is foreign-born. This combination of an aging population and a low immigration rate has placed increasing strain on social benefits for the elderly. Although Japan has already trimmed benefits for seniors, a recent advisory panel report to the Finance Ministry warned that the country's social security spending is on a trajectory to rise by an additional 36 percent by 2025, driven by soaring health-care costs.[66]

The presence of both first- and second-generation immigrants can help combat such unfavorable demographic trends in destination economies, particularly because migrants in these countries tend to have higher fertility rates than native-born populations. In the United States, for example, there were 90 births per 1,000 foreign-born women ages 15 to 44 compared with just 59 births per 1,000 native women in 2010. Similarly, in the United Kingdom, there were 88 births per 1,000 foreign-born women ages 15 to 44 vs. just 60 births per 1,000 native women in 2011 (see Exhibit 18).[67] The higher fertility rates among immigrant groups lowers old-age dependency ratios and consequently may help to improve the viability of their social security plans. In the long term, this may help to ease some of the fiscal pressures that are worsened by aging populations in the developed world.

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64 *OECD pensions outlook 2012*, OECD, June 2012.

65 *World population prospects: The 2015 revision*, United Nations Population Division, 2015.

66 Isabel Reynolds and Kyoko Shimodoi, "Japan weighs 'almost suicidal' pension squeeze for growing band of seniors," Bloomberg, June 29, 2015.

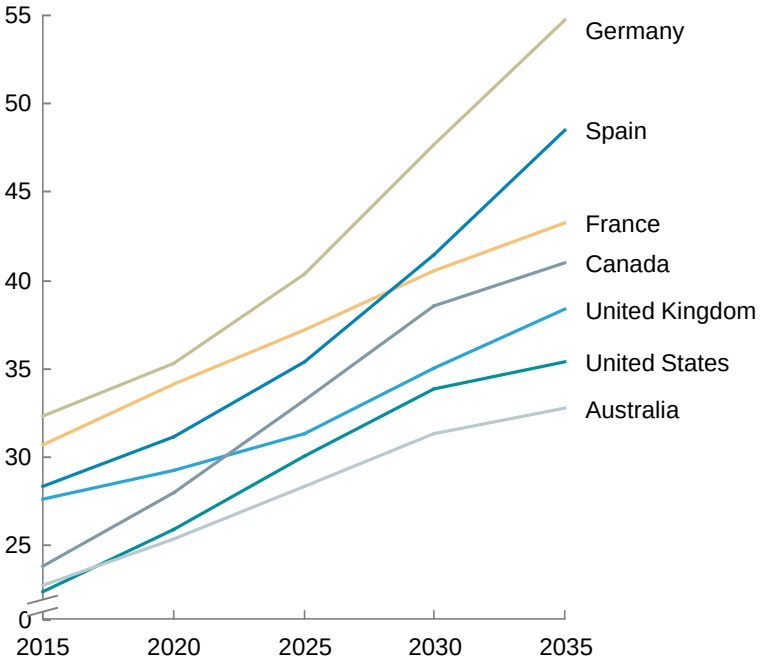
67 *Birth rate and fertility*, Pew Research Center; *Births, deaths, and marriages*, UK Office for National Statistics.

Exhibit 17

New immigrants could help improve old-age dependency ratios and make pensions more sustainable

Old-age dependency ratios expected to greatly increase in the coming decades, with Germany's ratio almost doubling in 30 years

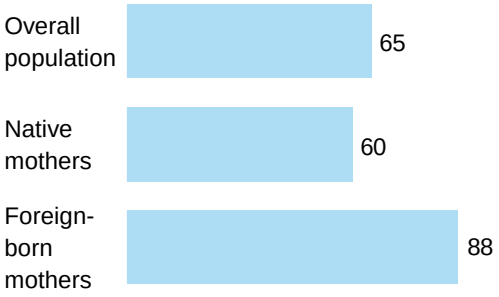
Old-age dependency ratio, 2015–35[1]
% population 65+ ÷ population aged 15–64



New migrants are younger and more fertile than natives

Median age, 2013 (EU example)

Fertility, 2011 (UK example)
Births per 1,000 women aged 15–44



1 Assumes median fertility rate.

SOURCE: UNDESA; Eurostat; UK Office for National Statistics; *Birth rate and fertility*, Pew Research Center; *Births, deaths, and marriages*, UK Office for National Statistics; McKinsey Global Institute analysis

MIGRANTS HAVE A NEGLIGIBLE IMPACT ON NATIVE WAGES AND EMPLOYMENT EXCEPT UNDER VERY SPECIFIC CONDITIONS

There are heated debates on migration concerning whether new arrivals increase competition for jobs and negatively affect native employment and wages. In a recent survey, more than half of respondents in the United States said that illegal immigrants hurt the economy by driving down wages.[68] In a Gallup poll conducted across 142 countries between 2012 and 2014, 29 percent of respondents reported that they believe immigrants take jobs in their country that citizens want. But while there are anecdotal stories of companies turning to immigrants as cheaper replacement workers, the data do not show this effect occurring on a large scale across economies. In short, immigration does not appear to harm the long-run employment prospects or wages of native-born workers.

[68] Robert P. Jones et al., *How immigration and concerns about cultural changes are shaping the 2016 election: Findings from the 2016 PRRI/Brookings Immigration Survey*, Public Religion Research Institute and Brookings Institution, June 2016.

The academic evidence on this point is extensive. We reviewed more than 40 studies carried out over different time periods between 1960 and 2010, focusing on various destination countries (especially in North America and Europe). These meta-analyses of empirical studies, summarized in the appendix, provide evidence that immigration has limited impact on native employment and wages. One landmark study examined the effect of the growth of immigrant labor on native wages and employment in the United States over four decades and found no correlation between the two either in the aggregate or across skill groups.[69] Another study in the United States found that from 1990 to 2004, immigrant inflows actually boosted native wages by 1 to 2 percent; in fact, even given the same combination of education and experience, and accounting for gender, foreign-born workers tended to fill different jobs than native workers.[70] In addition to this idea of complementarity, immigrants often increase the diversity of services that are available rather than competing with native-born workers. They typically come with a different set of skills and cultural norms that spurs specialization and distinction.[71]

A 2016 study confirmed these findings in the United States by examining economic and demographic trends from immigration over the past 20 years. It found that when measured over a decade or more, immigration has a minimal impact on both native employment and wages. In fact, it generates an overall positive impact on long-term economic growth in the United States, and many subgroups of natives actually see positive wage effects due to inflows of skilled immigrants.[72]

Another study examined the perceptions of immigration that informed the recent referendum on EU membership in the United Kingdom. It found that between 1995 and 2015, the number of immigrants from other EU countries tripled to 3.3 million, with a particular influx of Polish migrants. But UK-born workers in areas of the country where these immigrants are concentrated did not experience greater falls in employment and wages compared with UK-born workers overall. The biggest wage declines in the United Kingdom after 2008 were actually due to the global financial crisis and the weak recovery rather than having any correlation with EU immigration.[73]

Despite this evidence, local economies may need a period of adjustment to absorb large inflows, especially within a small geographic region. In such a case, the various factors of production are unable to adjust in the short term in response to the influx of migrants, thereby potentially resulting in higher overall unemployment. This process is more challenging under two other specific conditions: if the skills of new arrivals make them close substitutes for native workers, or if the destination economy is going through a downturn and has limited growth opportunities to absorb additional labor supply. In such situations, both native and migrant workers will feel an adverse impact on employment and wages.

69 Gaetano Basso and Giovanni Peri, *The association between immigration and labor market outcomes in the United States*, IZA discussion paper number 9436, October 2015.

70 Gianmarco Ottaviano and Giovanni Peri, *Rethinking the effects of immigration on wages*, NBER working paper number 12497, August 2006.

71 Giovanni Peri, "The effect of immigration on productivity: Evidence from US states," *Review of Economics and Statistics*, volume 94, issue 1, February 2012.

72 Francine Blau and Christopher Mackie, eds., *The economic and fiscal consequences of immigration*, Committee on National Statistics, Division of Behavioral and Social Sciences and Education, National Academies of Sciences, Engineering, and Medicine, September 2016.

73 Jonathan Wadsworth et al., *Brexit and the impact of immigration on the UK*, Centre for Economic Performance, London School of Economics and Political Science, May 2016.

The recent National Academies study in the United States, for example, notes that any negative impacts primarily affect earlier groups of immigrants or native-born workers who have not completed high school, as they are often the closest substitutes for low-skill immigrants. Another study of immigrants arriving in Sweden found that immigrants felt the impact of higher unemployment and lower wages for up to a decade if they arrived during a recession.[74] In the United Kingdom, one study found that wages declined for the bottom 15 percent of native-born earners after an influx of large numbers of low-skill migrants from 1997 to 2005. But this effect occurred only for this segment of native-born earners, while all other higher earners experienced wage increases after the migrants entered.[75]

A landmark study examined the Mariel boatlift, which brought 125,000 Cubans to Miami in the summer of 1980. The Cuban refugees were mostly young and low-skill workers, and their presence suddenly expanded the city's workforce by some 7 percent. Even in this extreme case, there was virtually no effect on the wages and unemployment rates of local workers—even on low-skill Cuban immigrants who had arrived earlier.[76]

These findings were reappraised in a 2015 study, which found that the wages of high school dropouts significantly decreased immediately after the Mariel influx.[77] However, later research disputed these findings by claiming that the sample size used in the reappraisal was too small and that the wages of the overall cohort returned to normal levels over the long term. Specifically, the 2015 reappraisal work found a negative deviation of wages for high school dropouts in Miami only when the subsample examined excluded women and non-Cuban Hispanics and restricted the age range to 25- to 59-year-olds. When this cohort was extended to include all non-Cuban workers with no high school diploma between 19 and 65 years of age, the finding that the Mariel influx had insignificant impact on native employment and wages was reaffirmed.[78]

Labor market adjustment is a smoother process if the skills and education of immigrants complement rather than substitute for those of native workers. New arrivals may actually fill specific sectoral shortages, instance by accepting jobs that native workers largely shun. The addition of more workers can allow for more specialization and division of labor that could be productivity-enhancing. In fact, studies have documented native-born workers moving into higher-paying and higher-skill occupations when larger numbers of immigrants enter the labor market.[79]

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74 Olof Åslund and Dan-Olof Rooth, "Do when and where matter? Initial labor market conditions and immigrant earnings," *Economic Journal*, volume 117, number 518, 2007.

75 Christian Dustmann, Tommaso Frattini, and Ian P. Preston, "The effect of immigration along the distribution of wages," *Review of Economic Studies*, volume 80, issue 1, 2013 (published online April 2012).

76 David Card, "The impact of the Mariel boatlift on the Miami labor market," *Industrial and Labor Relations Review*, volume 43, number 2, January 1990. This research cautions, however, that Miami is a somewhat unusual case, since Spanish is widely spoken and the city had highly concentrated textile and apparel industries at the time that employed many immigrants and was well suited to absorbing these workers.

77 George J. Borjas, *The wage impact of the Marielitos: A reappraisal*, NBER working paper number 21588, September 2015.

78 Giovanni Peri and Vasil Yasenov, *The labor market effects of a refugee wave: Applying the synthetic control method to the Mariel boatlift*, NBER working paper number 21801, December 2015 (updated May 2016); this study reappraised the 1990 work from David Card with new methodology and again found no significant differences in wages and employment in Miami than in other control groups.

79 Cristina Cattaneo, Carlo V. Fiorio, and Giovanni Peri, "What happens to the careers of European workers when immigrants 'take their jobs'?" *Journal of Human Resources*, volume 50, number 3, summer 2015.

DESTINATION ECONOMIES BEAR SHORT-TERM ENTRY COSTS AND LONGER-TERM INTEGRATION COSTS

Migration is not without its costs. It takes resources simply to maintain border controls and the administrative processes needed to manage who enters and screen for security, for example. Most countries have immigration enforcement agencies and may operate detention centers aimed at returning migrants who do not have a legal claim to stay. And in the longer term, there are education, health-care, and social service costs associated with integrating migrants into their new communities. It is important to note that these expenditures are additive to the destination country's GDP, but they could drain the fiscal resources of the destination country in the short term until immigrants' productivity and contribution to tax revenue rises sufficiently.[80]

Short-term costs to maintain border control and process entering migrants have been typically less than 0.2 percent of GDP across major destination countries. For example, immigration entry and enforcement costs in 2015 were about 0.08 percent of GDP in the United States, 0.04 percent for Canada, 0.10 percent for the United Kingdom, 0.15 percent for Germany, and 0.25 percent for Australia.[81]

But the short-term costs can escalate for countries admitting a large wave of refugees. Providing food, shelter, medical care, education for children, and social services can strain resources in destination countries. A recent IMF study examined this issue in countries across Europe coping with the current influx of Syrian refugees. While the average across Europe is estimated to be approximately 0.2 percent of GDP annually, the study found the biggest fiscal burdens in Sweden, where costs are estimated to rise from 0.3 percent of GDP in 2014 to 1.0 percent in 2016, compared with its current fiscal deficit of 0.4 percent of GDP. Denmark's costs are also likely to rise, moving from 0.24 percent of GDP in 2014 to 0.57 percent of GDP in 2016 (compared with its current fiscal deficit of 2.8 percent of GDP). Sharp increases are also projected for Austria, Finland, and Germany.[82]

It should be noted that these short-term costs are on top of any international aid provided by donor nations. In early 2016, donor nations pledged some $10 billion in emergency humanitarian assistance for Syrian refugees in response to a UN appeal.[83]

Over the longer term, there are also costs associated with providing some of the services that new arrivals need to integrate into unfamiliar communities. These include public expenditures on health, education (perhaps including bilingual education programs), and social assistance. Governments in North America and Western Europe spend more per immigrant household than native household on unemployment benefits, family allowances, social allowances, and housing allowances—a reflection of the fact that immigrant families have greater socioeconomic need, on average, than the native-born population. Despite that, overall government expenditures in North America and Western Europe are lower for immigrant households than for native-born households, on a per household basis. This is primarily due to the fact that natives access pension benefits much more than immigrants, a factor that outweighs other types of household benefits (Exhibit 18).

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80 In private sectors of the economy, such as manufacturing, GDP is measured in national accounts as the value added that is produced by the sector, or revenue minus the cost of inputs. The GDP of public and quasi-public sectors (education and health care) is based on the amount of spending, not the value of output.

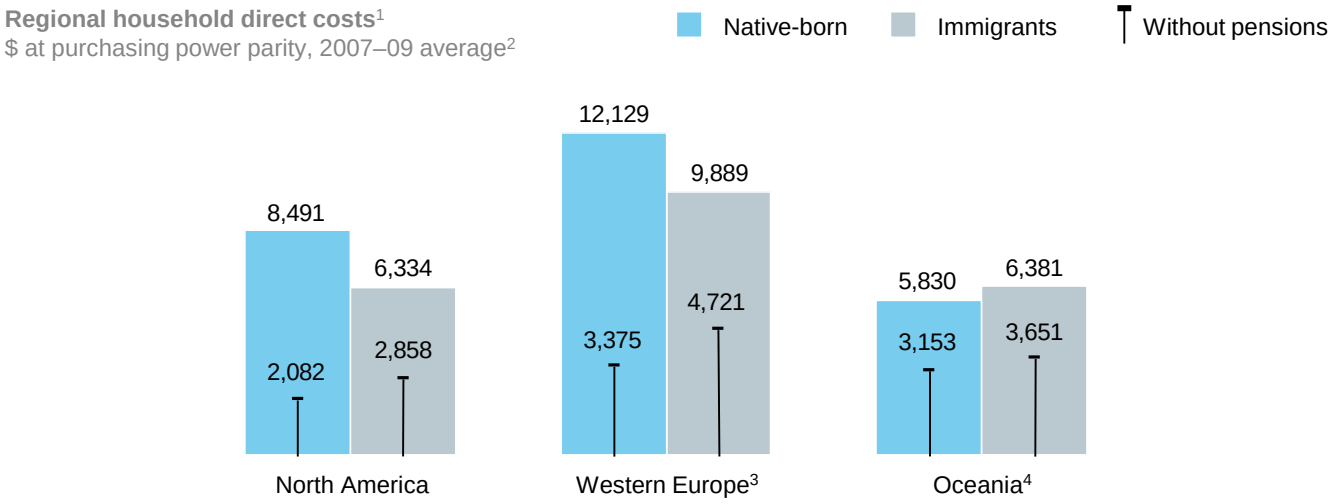
81 These are drawn from multiple sources, including US Department of Homeland Security budget materials, Refugee Council USA, Australian national budget documents, and French national budget documents.

82 Shekhar Aiyar et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016.

83 "Record $10 billion in humanitarian aid for Syria at UN co-hosted conference in London," UN News Centre press release, February 4, 2016.

Exhibit 18

Government spending on benefits per household has been lower for immigrants than natives when pensions are included



1 Includes education-related allowances and scholarships, family and children-related allowances, social assistance payments, housing allowances, pensions, unemployment benefits, old-age benefits, survivors' benefits, pensions, sickness benefits, and disability benefits.
2 Weighted average based on number of households data from 2012 because of lack of data for 2007–09.
3 Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland.
4 Australia.

SOURCE: *International Migration Outlook*, OECD, June 2013; Household Composition by Migration Status 2012, OECD; World Bank; OECD; McKinsey Global Institute analysis

~1%
Average net positive fiscal impact of immigrants in destination countries

MIGRATION TYPICALLY CREATES A NEUTRAL TO MARGINALLY POSITIVE NET FISCAL IMPACT IN DESTINATION ECONOMIES

Despite the short- and long-term costs of migration, immigrants are not typically a fiscal drain on destination economies. Most studies have found that immigrants tend to create a small but net positive fiscal impact in their destination countries, averaging approximately 1 percent of GDP annually.[84] As an example, one study of the United Kingdom found that between 2001 and 2011, immigrants made a net positive fiscal contribution of about £25 billion, compared with an overall negative net fiscal contribution of £624 billion by natives.[85] Even low-skill and undocumented migrants can make a net positive fiscal contribution to many destination countries. Undocumented workers in the United States, for example, typically pay payroll taxes but do not ultimately receive social security benefits. The US Social Security Administration estimated that in 2010, earnings by unauthorized immigrants had a net positive impact on the program's cash flow of roughly $12 billion.[86]

Various approaches are typically employed to analyze the net fiscal impact of immigrants. One approach that mirrors accounting principles estimates their fiscal contributions to the public purse (such as taxes and social security contributions) in a given year and then subtracts any public expenditures related to immigrants within that year (such as government transfers for education and housing allowances, family and social assistance payments, unemployment benefits, pensions, and disability payments). This methodology considers all migrants within a given country regardless of how long they have been in the

84 *International migration outlook 2013*, OECD, June 2013.
85 See, for example, Christian Dustmann and Tommaso Frattini, "The fiscal effects of immigration to the UK," *The Economic Journal*, volume 124, issue 580, November 2014. This study found immigrants to the United Kingdom since 2000, and particularly those from Eastern Europe, have made a positive fiscal contribution.
86 Stephen Goss et al., "Effects of unauthorized immigration on the actuarial status of the Social Security Trust Funds," Social Security Administration, Office of the Chief Actuary, actuarial note number 151, April 2013.

destination, meaning it does not measure the success or failure of any current immigration policies within the destination.

A second set of methodologies uses dynamic models to quantify the impact of immigration on future public budget balances in the long run. This relies heavily on assumptions about destination labor markets and the integration of both first- and second-generation migrants. A third and similar set of methodologies employs macroeconomic models to simulate the impact of additional migration flows on a destination economy.

Regardless of the methodology and assumptions employed by various analyses, the net fiscal impact of migrants—whether positive or negative—rarely exceeds 0.5 percent of GDP. It was around zero on average in OECD destinations between 2005 and 2009.[87] From 2007 to 2009, the cumulative net fiscal impact of migrants was found to be small but positive across most advanced economies (including most of Europe, with the exceptions of Germany, France, Poland, Ireland, and the Slovak Republic). Their positive impact was found to be as high as 2 percent of GDP in Luxembourg and Switzerland; roughly 1 percent of GDP in Greece, Italy, Iceland, Slovenia, and Belgium; and approximately 0.5 percent of GDP in Spain, Portugal, Estonia, the United Kingdom, Norway, and the Netherlands.[88]

Given these findings, it is useful to examine some general patterns when it comes to the net fiscal impact of migrants. First, high-skill migrants have a greater per capita net fiscal contribution than medium- and low-skill migrants. For example, Australia and New Zealand, which have higher intakes of skilled migrants, enjoy larger fiscal gains from immigration than other countries. One study demonstrated that the ratio of revenue to government expenditure associated with recent migrants to the United Kingdom from the European Economic Area was better than that of migrants from other parts of the world primarily due to differences in skill level.[89]

Second, as the proportion of working-age migrants increases, so, too, does the net fiscal contribution. Similarly, the net positive fiscal impact created by an immigrant increases along with the number of potential years that the individual can work in the destination country (Exhibit 19). For destination countries, this manifests in the form of savings in education and increased output and taxes paid by migrant workers, among other things. Related to this is the fact that immigrants typically have higher fertility rates than natives, which helps reduce the negative fiscal impact of an aging population, especially over the long term in countries that have generous pay-as-you-go pension systems.

Finally, it is important to note that while these general patterns are observed, geographic variances in tax and benefit systems, migrant entry and integration policies, and existing fiscal position of immigrants can result in differing outcomes. Countries with large and well-established immigrant populations, for example, may have more experience in integrating new arrivals into labor markets and society more broadly, which can lead to more positive fiscal impact. All things considered, while the fiscal impact often plays an outsized role in the debate surrounding immigration, most evidence indicates that it is neutral to slightly positive for destination economies. Even when their net fiscal impact is neutral, destinations still benefit from economic growth due to the added presence of immigrants.

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87 "The fiscal impact of immigration in OECD countries," in *International migration outlook 2013*, OECD, June 2013.

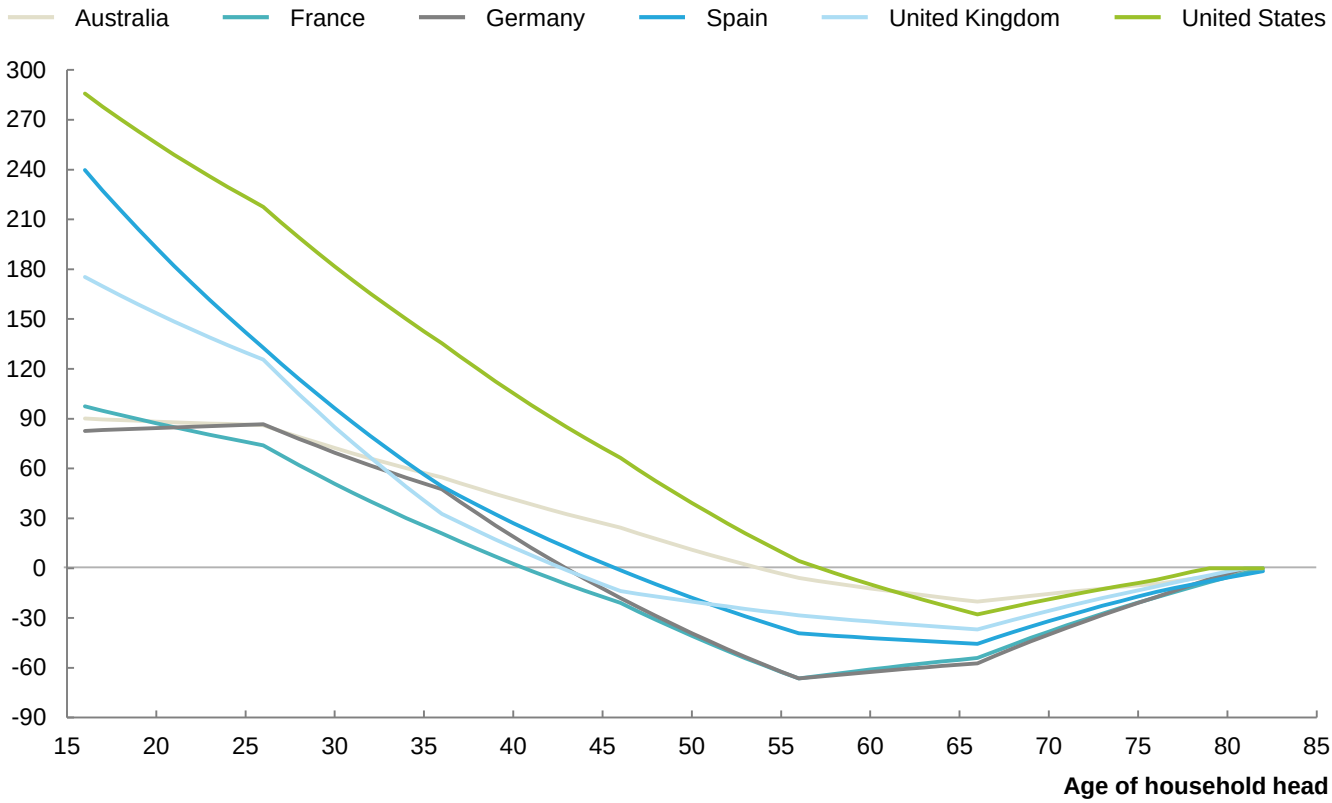
88 *International migration outlook 2013*, OECD, June 2013; Shekhar Aiyar et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016. It should be noted that these data predate the Syrian refugee crisis and do not reflect the full effect of the slow recovery since the 2008 crisis.

89 Christian Dustmann and Tommaso Frattini, "The fiscal effects of immigration to the UK," *Economic Journal*, volume 124, issue 580, November 2014.

Exhibit 19

Across top destinations, migrants' fiscal contribution is a function of their age, which reflects their productivity potential

Net present value of immigrants' lifetime net direct fiscal contribution by age of household head[1]
$ thousand at purchasing power parity, 2007–09 average



1 Includes following direct costs: education-related allowances and scholarships, family and children-related allowances, social assistance payments, housing allowances, pensions, unemployment benefits, old-age benefits, survivors' benefits, pensions, sickness benefits, and disability benefits.

SOURCE: International Migration Outlook 2013, OECD; Household Composition by Migration Status 2012, OECD; World Bank; OECD 2015 (for PPP exchange rates); McKinsey Global Institute analysis

ORIGIN COUNTRIES BENEFIT MAINLY THROUGH REMITTANCES, BUT SOME SUFFER NEGATIVE CONSEQUENCES FROM THE LOSS OF HUMAN CAPITAL

The substantial economic benefits captured by destination countries do not come completely at the expense of countries of origin. Many migrants go abroad to find higher-paying work with the explicit intention of supporting the families they leave behind—and these financial flows are often significant.

Remittances are a rapidly growing cross-border capital flow, totaling $580 billion in 2014 (roughly 8.7 percent of the output generated by migrants). Of this total, some $370 billion moved from developed to developing countries. In 2014, the largest inflows went to India ($70 billion), China ($62 billion), and the Philippines ($28 billion). Remittances are a vital part of the economy in the Kyrgyz Republic, Nepal, Tajikistan, and elsewhere. One study examined 21 developing countries in Asia where remittance flows totaled more than 5 percent of GDP and found that a 10 percent increase in remittances reduced the poverty head-count ratio by 3.9 percent.[90]

[90] *Impact of remittances on poverty in developing countries*, United Nations Conference on Trade and Development, 2011.

Despite the positive impact of remittances, migration does have some negative effects on origin countries. While developing countries do receive $370 billion in remittances from migrants in developed nations, this is about 52 percent lower than what we estimate migrants from these developing countries would have generated if they had not moved abroad. The labor force in a few select countries has shrunk enough to adversely affect the economy. For example, even with positive natural population growth, the populations of Georgia and Armenia have contracted by 15 and 27 percent, respectively, over the past 25 years as emigrants have left.

Furthermore, the top students and the most highly educated and skilled professionals in developing nations have much to gain by pursuing opportunities in higher-income countries. As the best and the brightest scientists, engineers, and entrepreneurs leave, the phenomenon known as "brain drain" occurs in their wake. One study found that dozens of poor countries—mostly small countries in sub-Saharan Africa, developing Asia, and the tropics—were losing one-third to half of their college graduates.[91] In India, approximately 60 percent of those who emigrate to OECD destinations have completed a tertiary education, compared with just 9 percent of the overall population in the country. Similarly, 52 percent of emigrants from the Philippines to OECD destinations are tertiary educated, more than double the 23 percent of the Filipino population overall. Furthermore, the loss of professionals in certain key roles, such as doctors, can cause major gaps. In 2006, for example, some 15 percent of locally trained doctors from 21 sub-Saharan African countries had emigrated to the United States or Canada; the losses were particularly steep in Liberia (where 43 percent of doctors left), Ghana (30 percent), and Uganda (20 percent).[92]

Beyond brain drain, emigration can have other negative effects on natives in origin countries. A 2011 study found that in the long run, emigration may be associated with average wage losses for less educated native workers and that the wages of these low-skill natives can fall between 0 to 7 percent due to emigration. This drop in wages is potentially explained by loss of productive externalities and interactions associated with high-skill workers who emigrated.[93] However, while emigration has its costs for some origin countries, it also creates some longer-term benefits.

- **Improved job matching.** Some emigrants would have faced unemployment if they had stayed in their origin countries, where there are not enough high-quality jobs. Studies have found that the unemployment rate among young people with college degrees in Morocco and Tunisia is actually several times that of those who are poorly educated.[94]

- **Greater incentive to invest in education, even for those who stay.** The prospects of higher pay beyond what is possible domestically incentivizes even the poor to invest in their education, leading to higher skill levels overall. The Philippines, for example, is a big exporter of nurses. The emigration opportunities associated with nursing have stimulated the development of a sophisticated system of high-quality private education that helps to educate low-income women and open a career path for them. Large numbers of nurses stay after their education, and today the Philippines has more trained nurses per capita at home than wealthier countries such as Thailand, Malaysia, and Great Britain.[95]

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91 Frédéric Docquier, "The brain drain from developing countries," *IZA World of Labor*, May 2014.

92 Stephen Bach, *International mobility of health professionals: Brain drain or brain exchange?* United Nations University World Institute for Development Economics Research research paper number 2006/82, August 2006.

93 Frédéric Docquier, Çağlar Özden, and Giovanni Peri, *The labor market effects of immigration and emigration in OECD countries*, IZA discussion paper number 6258, December 2011.

94 Ian Goldin, Geoffrey Cameron, and Meera Balarajan, *Exceptional people: How migration shaped our world and will define our future*, Princeton University Press, 2012.

95 Ibid.

- **"Social remittances," trade, and investment flows.** When emigrants return, they bring back skills, work experience, networks, and knowledge that may influence factors such as entrepreneurship and efficiency in their country of origin. Even those who do not return may boost investment in their home country, building new industries and aiding long-term growth. Taiwan's dynamic information technology industry, for example, was developed in large part by migrants who returned home from the United States in the early 1980s, bringing with them technical and operating experience, knowledge of business models, and international networks of contacts. Taiwan now boasts leading global firms in software, security, PC production, and integrated circuits. A similar dynamic is occurring in India, as skilled migrants use the experience they gained in Silicon Valley to develop the IT industry in Bangalore.

•••

Despite the clear economic benefits associated with migration, controversy is rising—and the volume is growing louder in economies facing slow growth, rising inequality, and structural changes in their labor markets. Immigration is increasingly being associated with job losses, though many other economic factors are in play. In some places, it is becoming politically difficult to accept migration flows, even as many of these same economies cannot afford to close themselves off from a much-needed demographic boost, from the labor needed by key industries, and from the innovation, dynamism, and human capital that migrants can bring. Countries around the world will need to have these debates but ensure they are based on evidence. It will also be critical to look at whether the right interventions are in place to smooth the way to successful integration, a topic we explore in greater detail in Chapter 3. Improving integration outcomes could help to narrow the wage gap between immigrants and native-born workers, increasing the global economic impact by up to $1 trillion annually.

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3. THE ELEMENTS OF SUCCESSFUL INTEGRATION

At its core, migration is about the human and economic potential that can be unleashed when people move to safer and more productive environments. Countries around the world have managed inflows of people in varying ways, usually determining an overall number of admissions and then making allocations based on some combination of labor market needs and considerations such as family reunification. Many countries set their immigration policies by focusing heavily on who gets to enter but then place surprisingly little emphasis on creating a pathway for new arrivals to become more fully integrated into their new homeland—not just into the labor market but also into the fabric of society.

Regardless of the number or mix of arrivals that destination countries admit, they may handle the integration of immigrants well or badly. We look at such efforts through the lens of economic, social, and civic outcomes. These aspects of the immigrant experience are mutually reinforcing; they can combine to create a virtuous cycle or a vicious cycle.

Up to
$1T
potential boost to global GDP if integration outcomes improve

Perhaps surprisingly in a world where millions of people move across borders, we find that no country has a strong track record for successful integration across all of these dimensions. But we also find no shortage of innovative programs and success stories from around the world. These initiatives provide a set of interesting options that can shape policies and programs at the national and city levels in other destinations. While this selection is by no means exhaustive and the interventions themselves have not been evaluated in relative terms, we hope that these case studies will contribute to a longer-term effort to experiment, share ideas, gather data, and scale up promising approaches.

Making a clear improvement in the way immigrants integrate into destination countries around the world could add $800 billion to $1 trillion annually to the global economy. Governments cannot afford to be merely reactive or to assume the integration process will take care of itself over time. It will take carefully crafted policies to meet the logistical and societal challenges of helping new arrivals fit into their communities and reach their full productive potential. The private sector has a central role to play in this effort—and incentives to do so. When companies participate, they stand to gain access to new markets and pools of new talent.

COUNTRIES MUST GRAPPLE WITH QUESTIONS OF WHO TO ADMIT AND HOW TO MANAGE ENTRY

Immigration policy is the subject of heated and growing debate in countries around the world. Governments are facing calls to reevaluate and adjust existing policy in countries where the economy is stagnant or significant numbers of native-born citizens have grown uncomfortable with the changing ethnic mix of their communities. These thorny questions are not going away in a complex, globalized world, and there are no easy answers. Below we briefly examine the general approaches that countries have taken, first with setting immigration policy and then with managing the logistical challenges of entry and screening.

Approaches to setting immigration policy

The goal of immigration policy in many developed economies is to strike the right balance between economic needs (through skills-based or labor-driven admissions) and other priorities such as family reunification and humanitarian commitments.

To that end, many countries set overall quotas and then rely on "points-based" application systems to determine which applications for entry should be prioritized. This represents a shift from the first half of the 20th century, when countries including the United States and Canada set immigration quotas based on national origin. Canada scrapped this model in the 1960s and pioneered a skills-based immigration model that was later adopted with some modifications by countries including Australia, New Zealand, and Singapore. In 2015, Canada launched an Express Entry program that awards points based on such criteria as education, language skills, and work experience. It expedites applications for those with job offers and those with the highest scores, and it also creates a database of foreign talent that employers can search. More recently, Canada has begun to complement its skills-based approach with a shift toward increasing family reunifications and welcoming more refugees. Canada's immigration minister has estimated that the country will accept a record target of some 300,000 new arrivals in 2016, including more than 55,000 refugees (most of them from Syria).[96]

Australia similarly has a skilled-based system of migration involving both employer sponsorship options and a points-based application system that ranks applicants on criteria including youth, qualifications, and language skills. Priority is given to those with skills that are in high demand, including roles such as engineers, medical practitioners, and those in the skilled construction trades. Australia, like Canada, combines its points-based approach with a system that allows states and provinces with specific labor shortages to nominate applicants with relevant skills.

Singapore has experienced rapid economic development, and one of its signature policies has been to attract global talent, both high-skill and low-skill. Immigrants constituted 25.7 percent of the population in 2010, creating a workforce more than one million strong. Most are low-skill workers in industries such as construction, domestic services, and manufacturing; their work permits are generally time-limited and may be revoked during economic downturns. Approximately a quarter are highly skilled foreign workers, many of whom Singapore has actively sought out through international recruiting missions and incentives such as housing programs.[97]

The United States has taken a different approach since dismantling its system of quotas based on national origin in the 1950s and 1960s. Its immigration policy is principally geared toward family unification, with a system of family-based admission categories. While immigrants with specialized skills are also admitted, family-based admissions make up some two-thirds of all legal permanent admission to the United States.[98] There are often long waits, since the Immigration and Naturalization Act caps the total number of immigrants admitted each year at 675,000.

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[96] Michelle Zilio, "Canada on track to welcome more than 300,000 immigrants in 2016," *Globe and Mail*, March 8, 2016.

[97] Brenda Yeoh and Weiqiang Lin, *Rapid growth in Singapore's immigration population brings policy challenges*, Migration Policy Institute, April 2012.

[98] William A. Kandel, *US family-based immigration policy*, Congressional Research Service, February 2016.

At the other end of the spectrum is Japan, which continues to maintain tight immigration controls despite its rapidly aging population and growing labor force needs. Only 2 percent of the country's population is foreign-born, and the country has no birthright citizenship law. The prospect of a shrinking population is forcing debate on measures to increase the number of foreign workers, but immigration remains highly controversial, reflecting Japan's long history as a relatively closed society.[99]

Although points-based systems are often touted as the most effective approach, they do not always produce a perfect result in the labor market. Even highly skilled immigrants admitted under these criteria experience higher unemployment than comparable natives, due to barriers such as inefficient matching, their lack of local networks, and a tendency among local employers not to recognize foreign credentials. In short, no entry-management policy approach has proved universally effective at solving for all complexities. Focusing on integration over the longer term is often overlooked but is an important complement to entry policy.

Operational excellence in managing entry

Once immigration limits and the criteria for entry are set, countries need extensive administrative machinery to put those rules into practice and maintain the security of their borders. The immigrant experience in a new country starts the moment new arrivals step onto solid ground in their new homeland—and for many, that moment is fraught with anxiety. For destination countries and new arrivals alike, this process can set the tone. It can be a warm and efficient welcome, a bureaucratic maze, or a suspicious and frightening experience. A well-managed entry is a gateway for migrants to quickly enter the labor force and begin contributing to the destination economy.

For destination countries, seven key processes are part of their immigration and border control operations: control of migrant inflow, border control, security, migrant reception, processing of refugees and asylum seekers, resettlement, and financial aid or distribution of financial burden. As discussed in Chapter 2, the costs associated with these functions are typically less than 0.2 percent of GDP across major destination countries.

These processes have become major logistical challenges for Europe in the face of the current influx of asylum seekers. Reception and processing centers have struggled to keep pace with arrivals—but some of the solutions are instructive for other countries where visa application processes remain long and bureaucratic. To speed up decisions for hopeful asylum seekers who are eager to move out of legal limbo and into their new lives, many national governments have moved to streamline operations. Zurich, for example, launched a pilot program in 2014 to process asylum claims in one center, with all requisite public authorities present under one roof. Independent legal counsel is also present, both to ensure refugees have appropriate representation to file their strongest appeal for asylum and to interact with the officials ruling on their requests. By navigating both sides, they help to avoid legal complaints down the road. These efficiency measures have allowed the government to set a goal of 140 days to complete asylum applications—and sometimes, they are granted in take less than 32 days.[100] Based on the pilot's success, a proposal for changing asylum laws has been approved by both the Swiss parliament and Swiss voters.

[99] See, for example, Noah Smith, "Immigration is tough for Japan," *Bloomberg View*, December 7, 2015.
[100] Swiss State Secretariat for Migration.

In the second half of 2015, the German government began analyzing and streamlining its asylum processes from initial contact to labor market integration. Significant initiatives include establishing "reception centers" and enabling 48-hour processing with all relevant steps under one roof. Complex cases are forwarded to specialized field offices for additional processing. Since then, claims have been expedited, with waiting times going from five months to just three and with some applicants getting a decision in 48 hours. To reduce the backlog, 20 new reception centers were set up, and four dedicated decision centers were launched. The government has invested in adding personnel to increase decision-making capacity fivefold in a span of less than six months, and modernized training systems have cut onboarding time in half. One integrated IT system manages identity data at the federal and state levels, and new identification card projects aim to reduce the number of unregistered asylum seekers from between 300,000 and 400,000 to zero by year's end. While this implementation took place primarily in the first quarter of 2016, it is estimated that these steps to accelerate the asylum process will reduce direct costs for the German government by some €5 billion to €6 billion.[101]

Germany has also passed legislation to enable asylum seekers to attend integration courses as quickly as possible with the aim of a faster labor market integration. Asylum seekers deemed likely to get a positive decision, for example, are connected with the labor agency right at the reception center. Language requirements for receiving permanent right of residence three years after a positive asylum decision have also been reevaluated. From a social planning perspective, Germany has dispersed refugees across the country to avoid potential overconcentration in isolated communities; the Integration Act passed in 2016 specifies that they will be assigned an initial place of residence but allowed to move freely if they find employment elsewhere. From an economic integration perspective, the government has adopted laws to ensure that asylum seekers whose applications are denied but who are already in vocational training receive a "suspension of deportation" and the right to remain in the country while completing their training instead of being sent back. After this, they are given six months to find employment, and the right to stay for two years beyond that to work in their ensuing jobs and simultaneously provide stability to their employers.

These innovations were created out of necessity in response to a surge in forced migration. But they offer a number of lessons for other countries, even in the absence of such an influx. Most nations could greatly streamline process steps and requirements to eliminate redundancy in the initial processing of immigrants and the bureaucratic requirements they face to ensure legal residence. Specialized processing units to handle certain complex or simple tasks can eliminate bottlenecks. Digital technology and a smart, integrated IT approach across all locations and levels of government can make an enormous difference in efficiency (see Box 4, "Technology and migration").

[101] German Federal Office for Migration and Refugees.

Box 4. Technology and migration

Technology is a great facilitator of migration both for those looking to move and for parties hoping to help throughout the process. Voluntary migrants can research job and housing opportunities online to plan their move more effectively. Forced migrants often face particularly challenging or dangerous journeys, and their mobile phones can help them chalk out potential routes, find aid from local and international organizations, and obtain real-time information. Once they move, migrants can make use of low-cost messaging and video chat services and social media platforms to stay in closer touch with family and friends left behind. For receiving countries and transnational organizations, technology can enable better management of and support for migrants when they enter a destination.

For refugees, mobile phones are now digital lifelines. Many digital innovators have created tools and apps to assist refugees on their journeys. InfoAid, for example, provides information on the best routes and provides updates on weather, hazards, and camps offering food and shelter. Google Maps and other mapping services help migrants navigate, while message services such as WhatsApp, Facebook Messenger, Skype, and Viber help refugees stay connected to local communities and people offering help. Tarjemly Live is a service connecting refugees to translators on an emergency basis.

Once migrants reach their destination, digital services are immensely useful for finding housing, health care, education, cultural information, legal help, and employment opportunities. “Arriving in Berlin,” for example, is a map-based service designed to ease refugees into life in Germany; Refugee Hero helps arrivals find accommodations. LinkedIn and other employment platforms have job matching initiatives specifically for immigrants.

Transit and destination countries are also increasingly using databases, analytics, and apps as essential tools to manage migrant entry, processing, and assistance. Lebanon and Jordan have partnered with the United Nations to create digital records of refugee camps, adopting biometric mechanisms to speed up processing and prevent fraud. Lebanon has also employed multiple technology solutions to raise awareness and provide medical advice using SMS and WhatsApp audio services. The European Union has worked to create a shared database called EURODAC to process and track refugees, reducing duplicate asylum claims or applications.

Multilateral organizations, NGOs, and private-sector companies are also bringing technology to bear. Companies such as Gemalto and Dion Global Solutions are installing digital border management systems to make processing more efficient. The UN World Food Programme has collaborated with Carrefour and Mastercard to create WFP smart cards, ATM cards, store cards, and electronic passes that allow refugees to directly buy food and other goods from local retailers, reducing the need to have these items physically delivered. This has given refugees a greater sense of autonomy and normalcy while lowering logistics costs, bypassing bureaucratic hurdles, and reducing manpower requirements. UNICEF is using technology to ensure that refugee children continue learning; the agency also distributes SIM cards to help refugees connect with their families. The World Health Organization provides frequent updates on health risks and medical facilities, alerting migrants to where it has set up health-care centers along routes and in camps.

For all of these positive uses, however, digital technology can also pose some dangers. In countries such as Syria, dire circumstances can force migrants to resort to being smuggled into another country. Human traffickers often establish an online presence to take advantage of their desperation. These cartels float pages on social media platforms, running promotional advertisements. Traffickers also control and coordinate trips using WhatsApp and GPS-based apps. This kind of criminal activity is difficult for international law enforcement to track because of it operates across multiple platforms, often using encrypted communication and the so-called dark web. Additionally, there is a dearth of legal power to prosecute traffickers in origin countries, and leads on how to find the traffickers are few and far between. While technology is immensely useful for migrants and migrant management, it has also introduced some new risks.

BETTER ECONOMIC AND SOCIAL INTEGRATION OF MIGRANTS COULD LAY THE GROUNDWORK FOR ECONOMIC GAINS OF UP TO $1 TRILLION GLOBALLY

Up to **$1T** potential for additional annual output through narrowing wage gap

In many countries, the immigration debate all but stops with the question of determining how many people to admit and what profile is desirable. There is comparatively little focus on how the long-term integration process plays out despite the fact that these issues are vital to realizing the economic benefits. Any group that is disadvantaged in education, housing, health care, and social and civic life will also find itself disadvantaged in the labor market—and these issues frequently intersect in immigrant communities.

Today immigrants tend to earn 20 to 30 percent less than native-born workers. But if countries narrow that wage gap to just 5 to 10 percent by integrating immigrants more effectively across various aspects of education, housing, health, and community engagement, they could generate an additional $800 billion to $1 trillion boost to worldwide economic output. The wage gap reduction we assume in this calculation is a relatively conservative goal—but it can nevertheless produce broader positive effects, including lower poverty rates and higher overall productivity in destination economies. To achieve this outcome, destination countries would need to take a more holistic approach to integration, since the economic and societal aspects of the immigrant experience are tightly bound together.

Academic research on how access to basic services specifically affects the economic fortunes of immigrants is limited, but a wealth of studies documents how unequal access to high-quality education, health care, and housing damages economic prospects for the population at large over the long term. Multiple studies have reaffirmed the seminal research by Jacob Mincer demonstrating how education attainment and on-the-job training translate into wage differentials.[102] In other words, investing in human capital development has an economic payoff—an observation that has particular relevance for immigrant populations that may have additional needs such as language and cultural education or protection from discrimination.

These issues have repercussions for the opportunities and quality of life afforded to second-generation immigrants. Growing up in an environment of concentrated poverty—which describes many immigrant enclaves in countries around the world—can damage a child's earning potential over an entire lifetime. One US study found that moving a young child out of public housing to a lower-poverty neighborhood could increase the child's total lifetime earnings by about $302,000, thus reducing the intergenerational persistence of poverty.[103] Environmental factors are highly interconnected with each other and with long-term economic outcomes. Housing ghettoization, for example, has been linked to increased stress, illness, and increased transmission of communicable diseases.[104] Disadvantaged children lacking routine and preventive health care have higher rates of school absenteeism.[105] These issues can have cascading effects and long-term economic ramifications.

[102] See Jacob Mincer, *Schooling, experience, and earnings*, NBER, 1974, and global evidence in George Psacharopoulos and Harry Anthony Patrinos, "Returns to investment in education: A further update," *Education Economics*, volume 12, number 2, August 2004.

[103] Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The effects of exposure to better neighborhoods on children: New evidence from the Moving to Opportunity experiment," *American Economic Review*, volume 106, number 4, 2016.

[104] Nabihah Maqbool, Janet Viveiros, and Mindy Ault, *The impacts of affordable housing on health: A research summary*, Center for Housing Policy, April 2015.

[105] Jaya Aysola, E. John Orav, and John Z. Ayanian, "Neighborhood characteristics associated with access to patient-centered medical homes for children," *Health Affairs*, volume 30, number 11, 2011; Richard Rothstein, "The racial achievement gap, segregated schools, and segregated neighborhoods: A constitutional insult," *Race and Social Problems*, volume 6, number 4, December 2014.

In many countries, immigrants face an undercurrent of racism and xenophobia. This can produce or worsen social, political, and economic exclusion, although this effect cannot be easily quantified. Political movements in countries around the world have recently been leveraging anti-immigrant sentiment as a platform, amplifying these attitudes instead of defusing them. Policy alone cannot counter this issue; it will take a range of other voices from all parts of society. Engaging effectively with the public at large to counter their economic fears and foster cultural understanding will be essential to the success of integration efforts in this environment.

Even policies that ensure equal access to social benefits are not enough if most households are unaware of the services that are available to them or lack the language fluency to navigate them. Successful integration needs to address all of these issues holistically; a narrow focus on employment alone is not enough. Ensuring that immigrants have access to the full range of services they need, defusing mistrust, and building an inclusive community can have a tangible effect on economic outcomes.

Moreover, as discussed in Chapter 2, second-generation immigrants can provide a much-needed demographic boost in many destination economies with aging populations. For these countries, focusing on human capital development for the children of immigrants is not only a matter of social justice or preventing long-term dependency. It is also a matter of strengthening their labor force of the future.

NO COUNTRY IS SUCCESSFUL ACROSS ALL OR MOST DIMENSIONS OF INTEGRATION

Integration has multiple dimensions, including providing immigrants with the same access to public goods as native-born populations, connecting them with jobs, and absorbing them into communities. While multiple studies have reinforced the importance of individual issues such as housing and health care to productivity, we believe that economic, social, and political aspects need to be addressed simultaneously. Ignoring gaps in any one of these areas could lessen the likelihood of successful integration. Within each of these areas, we look at multiple indicators to gain a more complete picture of how immigrants are faring, both in absolute terms and relative to native-born populations.[106]

Economic integration encompasses employment and labor force participation rates as well as broader measures of economic well-being such as relative income levels and poverty rates.

Social integration touches on crucial questions of whether immigrant populations can put down roots and build a future in their destination countries. These include educational attainment, the quality of housing and opportunities for homeownership, access to health care, and markers of social cohesion, including freedom from racial, ethnic, and religious discrimination.

Immigrant communities eventually need **civic engagement and a political voice** in order to thrive—and their ability to participate can signal that an immigrant group has truly arrived and taken its place at the table where decisions are made. We measure progress toward this goal by looking at markers such as naturalization rates, voter participation rates, and the share of immigrants employed in public services. Naturalization rates in particular are a tangible marker of integration into a new country.

We apply this framework to 18 major destination countries. Our analysis of the results suggests that no country has achieved strong integration outcomes across all dimensions, though some countries have better outcomes than others (Exhibit 20).

[106] Many of these indicators draw on *Indicators of immigrant integration 2015: Settling in*, OECD, July 2015.

Exhibit 20

No destination country performs well across all dimensions of integration

Integration dimension	Sub-dimension	Indicator of level of integration, expressed as a value for migrants vis-à-vis natives[1]	United States	Germany	United Kingdom	Canada	France	Australia	Spain	Italy	Switzerland
Economic	Labor market outcomes	Labor force participation rate (% of working-age population)[2]	2.2	-5.5	-3.8	-2.7	-3.4	-3.5	5.7	7.0	-1.5
		Unemployment rate (% of labor force), overall[2]	-0.5	3.6	1.4	1.5	6.9	0.2	11.6	4.3	4.3
		Unemployment rate, low skill[2]	-11.7	0.1	0.7	-3.0	4.1	-0.5	8.5	2.5	4.3
		Unemployment rate, high skill[2]	1.0	4.0	2.6	3.2	6.0	1.5	10.6	5.3	3.5
		Share of low-skill workers on temporary contracts (%)[2]	n/a	-3.7	1.1	-13.3	1.3	n/a	9.2	-1.2	-3.5
		Overqualification rate (%)[2,3,4]	1.1	15.7	2.1	3.1	5.2	3.2	14.3	34.2	-0.4
		Share of 25- to 64-year-olds who report unmet training needs (%)[5]	0.5	-1.9	8.5	4.9	-0.6	3.1	4.6	4.4	n/a
		Share of employed workers who report their training was useful (%)[5]	42.1	24.9	48.7	36.7	23.5	44.3	8.8	n/a	n/a
	Economic well-being	Average household income of lowest-income decile of population (% difference)[5]	-23.1	-7.4	-24.3	-20.8	-25.6	-24.6	-55.7	-27.1	-17.4
		Median household income (% difference)[5]	-27.0	-12.8	-15.8	-16.3	-24.4	-15.3	-31.6	-27.9	-14.3
		Poverty rate for low-educated in-work population (%)[5]	7.6	2.1	n/a	5.2	16.9	6.5	14.2	15.9	12.6
Social	Education	Literacy score for foreign-born vs. native children (points)[4,6]	-31.0	-36.3	-31.0	-24.5	-32.0	-19.0	-26.2	-29.8	n/a
		Literacy score for 2nd-generation migrant vs. native children (points)[5,6]	n/a	-20.2	-14.1	2.5	-12.6	-1.8	n/a	n/a	n/a
	Housing	Homeownership rate (% of households)[5]	-17.5	-7.4	-25.4	-3.6	-16.9	-7.4	-49.8	-51.7	-25.8
		Share of people in overcrowded dwellings (%)[5]	18.5	6.6	8.8	4.2	8.9	n/a	5.8	28.5	7.8
		Housing cost overburden rate (% of households)[5,7]	5.0	1.5	6.7	3.4	6.4	3.3	15.2	11.9	2.0
	Health care	Self-reported share of population with unmet medical needs (%)[5]	0.5	-0.8	0.0	-0.7	1.1	n/a	-0.6	2.6	1.6
	Social cohesion	Share of migrants who feel discriminated against, 2002–12 (%)	13.5	12.8	13.0	15.7	17.5	16.9	16.7	n/a	8.5
		Share of natives who perceive migrants' economic impact as bad, 2008–12 (%)	n/a	19.5	32.4	n/a	23.4	n/a	23.0	n/a	10.7
Civic	Civic engagement	Voter participation rate, 2002–12 (%)[4]	-7.4	-11.4	3.9	n/a	n/a	n/a	-8.1	n/a	n/a
		Naturalization rate for migrants with low education level, from origins with low income level (%)[2]	73.5	n/a	97.9	91.8	56.9	93.7	26.8	44.2	33.3
		Naturalization rate for migrants with low education level, from origins with high income level (%)[2]	73.8	n/a	45.2	89.0	42.9	83.2	43.6	88.4	29.4
	Political representation	Share of employed population in public services (%)[2]	-7.7	-10.1	3.8	-3.7	-7.2	0.6	-16.2	-17.4	-7.1

1 Indicators are vis-à-vis natives, except "Share of migrants who feel discriminated against," "Share of natives who perceive migrants' economic impact as bad," "Migrant naturalization rate for migrants with low education level, and from origins with a low income level," and "Migrant naturalization rate for migrants with low education level, and from origins with a low income level."
2 Indicator is from 2012–13.
3 Share of people with tertiary-level qualifications who work in a job that is classified as low- or medium-skill by the International Standard Classification of Occupations.
4 Metric is based on the foreign-born population that has been in the destination country for at least ten years.
5 Indicator is from 2012.
6 Based on OECD Survey of Adult Skills (PIAAC).
7 Housing cost overburden rate is the percentage of households that spend more than 40% of their disposable income on housing.

SOURCE: *Indicators of immigrant integration 2015: Settling in*, OECD, July 2015; McKinsey Global Institute analysis

Exhibit 20

No destination country performs well across all dimensions of integration (continued)

Integration dimension	Sub-dimension	Indicator of level of integration, expressed as a value for migrants vis-à-vis natives[1]	Netherlands	Sweden	Austria	Belgium	Greece	New Zealand	Norway	Denmark	Finland
Economic	Labor market outcomes	Labor force participation rate (% of working-age population)[2]	-9.7	-6.7	-3.7	-5.0	9.1	-0.6	-3.4	-7.3	-0.9
		Unemployment rate (% of labor force), overall[2]	6.3	9.7	5.0	10.7	10.9	0.2	5.2	6.8	6.8
		Unemployment rate, low skill[2]	6.4	11.8	5.0	11.8	9.9	-1.2	7.1	9.2	2.2
		Unemployment rate, high skill[2]	4.9	8.5	4.0	7.5	11.6	0.5	4.4	5.0	7.6
		Share of low-skill workers on temporary contracts (%)[2]	2.1	0.6	-1.6	2.6	4.1	-3.6	-1.5	1.2	1.8
		Overqualification rate (%)[2,3,4]	6.7	13.4	9.3	9.9	32.3	-4.2	12.5	15.7	8.2
		Share of 25- to 64-year-olds who report unmet training needs (%)[5]	-2.5	3.2	2.1	n/a	n/a	n/a	8.8	2.2	n/a
		Share of employed workers who report their training was useful (%)[5]	26.7	17.3	21.2	n/a	n/a	n/a	37.5	60.5	n/a
	Economic well-being	Average household income of lowest-income decile of population (% difference)[5]	-24.7	-23.9	-32.3	-29.7	-42.0	-5.8	-20.7	-51.2	-22.0
		Median household income (% difference)[5]	-24.6	-17.1	-23.7	-34.2	-38.7	-14.8	-21.7	-22.2	-32.2
		Poverty rate for low-educated in-work population (%)[5]	3.4	8.2	9.8	23.2	10.8	12.6	9.1	n/a	n/a
Social	Education	Literacy score for foreign-born vs. native children (points)[4,6]	-42.7	-60.4	-31.1	-39.1	n/a	n/a	-50.9	-41.7	n/a
		Literacy score for 2nd-generation migrant vs. native children (points)[5,6]	n/a	n/a	-25.1	n/a	n/a	n/a	n/a	n/a	n/a
	Housing	Homeownership rate (% of households)[5]	-28.9	-16.0	-31.9	-33.7	-46.1	-14.6	-22.0	-23.8	-44.5
		Share of people in overcrowded dwellings (%)[5]	0.3	9.4	22.9	3.7	30.4	7.8	14.6	11.5	5.9
		Housing cost overburden rate (% of households)[5,7]	10.1	-0.7	4.8	10.5	5.8	10.2	4.5	8.2	7.0
	Health care	Self-reported share of population with unmet medical needs (%)[5]	-0.8	3.8	0.8	2.1	2.1	n/a	0.3	-0.2	5.3
	Social cohesion	Share of migrants who feel discriminated against, 2002–12 (%)	18.7	11.3	22.5	10.8	27.8	9.4	8.4	14.0	10.7
		Share of natives who perceive migrants' economic impact as bad, 2008–12 (%)	18.0	15.4	n/a	29.1	54.3	n/a	13.0	21.4	16.9
Civic	Civic engagement	Voter participation rate, 2002–12 (%)[4]	-11.1	-9.4	n/a	-4.5	-7.6	n/a	n/a	n/a	n/a
		Naturalization rate for migrants with low education level, from origins with low income level (%)[2]	36.4	91.0	46.7	77.7	13.5	n/a	14.1	47.6	51.4
		Naturalization rate for migrants with low education level, from origins with high income level (%)[2]	58.6	64.3	71.0	38.6	63.2	n/a	55.3	47.6	65.9
	Political representation	Share of employed population in public services (%)[2]	-3.9	5.0	-9.2	-8.0	-28.6	2.8	n/a	2.1	-1.7

Criteria used for heat map
Approach to setting boundary conditions

Migrant outcomes (% of native outcomes)
≥95% 80–95% <80%

Migrant or native only (% of average)
≥125% 75–125% <75%

Among our findings:

- **Migrants face lower unemployment in North America and Oceania than in the top destinations in Europe.** Both high-skill and low-skill immigrants in the United States, Canada, Australia, and New Zealand have similar or lower unemployment rates compared to natives. But the reverse is true in the top European countries. Furthermore, immigrants from some regions face greater challenges in securing jobs than others (see Box 6, "Immigrant unemployment rates vary by both destination and origin"). Europe also has a greater proportion of immigrants employed in positions for which they are overqualified, likely reflecting lesser recognition of their credentials by employers, language barriers, or a reduced ability to negotiate a job commensurate with their skill sets.

- **Regardless of destination, migrants have lower indicators of economic well-being than native-born citizens.** In destinations around the world, immigrants face greater economic struggles than the population as a whole. The income gaps are substantial both at the median level and within the lowest decile. Moreover, immigrants have a greater likelihood of living in poverty, which is related to the fact that they tend to earn lower wages than native-born workers of similar educational attainment (see Chapter 2 for a more detailed discussion of the wage gap). They may additionally have more limited access to welfare programs. Despite relatively higher levels of employment in North America and Oceania, immigrants in these regions are just as likely to be impoverished as those in Europe. In the United States, for example, extensive welfare programs exist to aid both natives and immigrants. But one study found that Mexican and Central American immigrants between the ages of 16 and 64 without a high school education

Box 5. Immigration and crime: Is there a link?

Apart from economic impact, it has been argued that the presence of immigrants can increase crime rates. Overall, data are sparse on this topic, and existing research on incarceration suggests that making meaningful comparisons between natives and immigrants is difficult. Foreign-born prisoner populations in major destination countries vary significantly. For example, in the United States, the foreign-born account for 14.3 percent of the overall population but just 5.5 percent of prisoners. The trend is similar in Australia, where 27.7 percent of the population is foreign-born vs. just 19.7 percent of prisoners. But this is not a universal pattern. In the United Kingdom, the foreign-born make up 11.3 percent of the population and 12.7 percent of prisoners. In Germany, the contrast is even wider, with the foreign-born accounting for 11.1 percent of the general population and 27.1 percent of prisoners.[1]

While some have attempted to draw conclusions from these data, other researchers have pointed out biases that should be taken into consideration. Multiple studies indicate that overpolicing and racial profiling in immigrant-dominated areas can lead to higher incarceration rates in these areas. One study in the United Kingdom found that blacks and other ethnic minorities were more likely to be sentenced to immediate custody than whites.[2] Similarly, a study in England and Wales found that immigrants may be held for considerable time in prisons due to their complex immigration cases.[3] A European cross-country study found that the probability of being assigned to prison upon conviction is primarily related to immigrants not fulfilling the condition of having a permanent job, residence, or family.[4] A number of socioeconomic factors, the nature of the offenses themselves, and policing and sentencing trends would have to be taken into account to make meaningful comparisons with native-born populations before drawing any conclusions. In short, research does not show a clear-cut link between immigrants and higher crime rates.

1 *World prison brief*, Institute for Criminal Policy Research.

2 "Statistics on race and the criminal justice system 2008/09," UK Ministry of Justice, June 2010.

3 Mary Bosworth, *Deportation, detention, and foreign national prisoners in England and Wales*, Oxford Legal Studies research paper number 33/2011, May 2011.

4 Ludovica Gazzè et al., "Immigration policy and crime," presented at Rodolfo DeBenedetti Foundation's XV European Conference on "Legal and Illegal Careers" in Caserta, Italy, June 22, 2013.

are significantly less likely to participate in welfare programs than natives, primarily due to ineligibility. These immigrants are more likely to work than natives and to put in longer hours and travel to find work opportunities. They derive 70 to 100 percent of their income from wages, while wages account for just 30 percent of income for comparable native households that are more likely to access social welfare programs.[107]

- **Immigrant children face significant educational attainment gaps worldwide.** Across all the top destination countries, immigrant children face major educational hurdles. We measure this by looking at PIAAC test scores for immigrants, second-generation immigrants, and native-born citizens ages 16 to 34.[108] The average gap between foreign-born and native-born test takers of the same age group exceeds 30 points in Germany, the United Kingdom, and the United States—a gap so large that it approximates the difference between a tertiary and secondary education. Given the anticipated rate at which immigrants and their children will fuel labor force growth in many developed countries, this educational gap has negative implications for future productivity and national competitiveness. While the gap narrows for second-generation immigrant children, it is still present, pointing toward a worrisome future trend that many nations are trying to address. The Netherlands, for example, launched an early childhood education program that gives special attention to children with an increased chance of a reading gap before or during the first stage of primary school. A recent assessment of the program recommended an even more intensive approach combining home-based interventions with classroom strategies since immigrant children may not be constantly exposed to the local language in their home setting.

- **Immigrants around the world have difficulty obtaining quality housing and health care.** Across almost all of the top destination countries, the share of immigrants in overcrowded dwellings is almost 10 percentage points higher than that of natives. Moreover, immigrants are more likely than natives to face housing costs that exceed affordability thresholds for their income level, leaving household budgets strained.[109] In the United Kingdom, for example, housing costs exceed 40 percent of disposable income for 28.5 percent of immigrants—a share that is 6.7 percentage points higher than that of natives. This is not surprising, since immigrants tend to settle in urban areas, and many of the biggest cities in destination economies face serious affordable housing shortages for the population at large. In some cases, high rents lead multiple families to crowd into smaller dwellings. While health care appears to be more readily available to immigrants than access to quality affordable housing, it should be noted that this indicator is self-reported; it may therefore underestimate areas of unmet medical needs such as preventive care.

- **Discrimination and mistrust are barriers to social cohesion.** While it is difficult to measure attitudes quantitatively, survey responses provide confirmation that anti-immigrant sentiments are real. They are not just an abstract political debate, and they are playing out in myriad daily encounters. Across multiple countries, a significant share of the immigrant population (roughly 13 to 18 percent in the top five destinations) reports feeling the weight of discrimination. It is impossible to quantify how much of this is real or perceived, and how much driven by the real economic disadvantages of some segments of the native-born population as opposed to xenophobia. Building stronger ties between

[107] Marianne Bitler et al., *Poverty research and policy in the US: Building a path to mobility*, Center for Poverty Research, University of California, Davis, April 2016.

[108] Scores are from the OECD's 2012 Programme for the International Assessment of Adult Competencies.

[109] See, for example, Eileen Diaz McConnell, "Who has housing affordability problems? Disparities in housing cost burden by race, nativity, and legal status in Los Angeles," *Race and Social Problems*, volume 5, number 3, September 2013, and Kirk Semple, "When the kitchen is also a bedroom: Overcrowding worsens in New York," *New York Times*, February 29, 2016.

Box 6. Immigrant unemployment rates vary by both destination and origin

As discussed previously, countries around the world vary sharply in their ability to connect new immigrants with jobs. Even within the same destination country, immigrants from different countries of origin may fare differently. Emigrants from India, China, and Western Europe, for example, often have more success in securing jobs, while those from the Middle East and North Africa and those from sub-Saharan Africa face greater challenges (Exhibit 21).

Multiple factors could be in play, including the similarities (and dissimilarities) in culture and language between immigrants and natives. The presence of local networks of fellow citizens offering support to new arrivals from their homeland could also make a difference. Immigrants from various countries form large communities in cities throughout North America, Western Europe, Australia, and other destination economies—and these communities often provide gateways for new arrivals. Those who arrive in the United States from Mexico tend to fare well purely in terms of finding work, perhaps by leveraging networks of fellow migrants; in fact, their unemployment rates are typically lower than those of citizens. Finally, differences in educational quality in various regions of origin could also play a role in explaining this phenomenon.

Perceptions about migrants' ability and willingness to integrate with local culture and economic life could also play a role in explaining labor market outcomes. Consider the persistent difficulties surrounding the assimilation of immigrants from the Middle East and North Africa in France. Legislation intended to promote assimilation, such as passing laws banning religious symbols (including headscarves) from public institutions in 2004, and later banning women from wearing burqas in public altogether (2010), may not have had the desired effect.[1] In fact, this perception of separateness may have made its way into the job market. A study conducted in 2010 submitted fictional resumes in response to job ads and found that resumes with Christian given names were two and a half times as likely to receive calls as those with Muslim given names, even though the educational credentials and work experience were identical.[2] In 2010, native-born workers in France faced a 10.8 percent unemployment rate, while unemployment for immigrants from MENA was more than twice as high, at 21.7 percent.

Similarly, from a regional perspective, the average unemployment rate for immigrants in Western Europe from developing countries in Latin America and sub-Saharan Africa from 2000 to 2010 was nine to ten percentage points higher than that of native-born workers in 2010, whereas those from Oceania and North America had an unemployment rate that was two to four percentage points lower than for natives. In the United Kingdom, immigrants from Nigeria had an unemployment rate of 14.8 percent in 2010, more than double the unemployment rate of 7.3 percent for natives. This suggests that cultural and racial differences can translate into economic inequality, reducing the potential contribution of immigrants.

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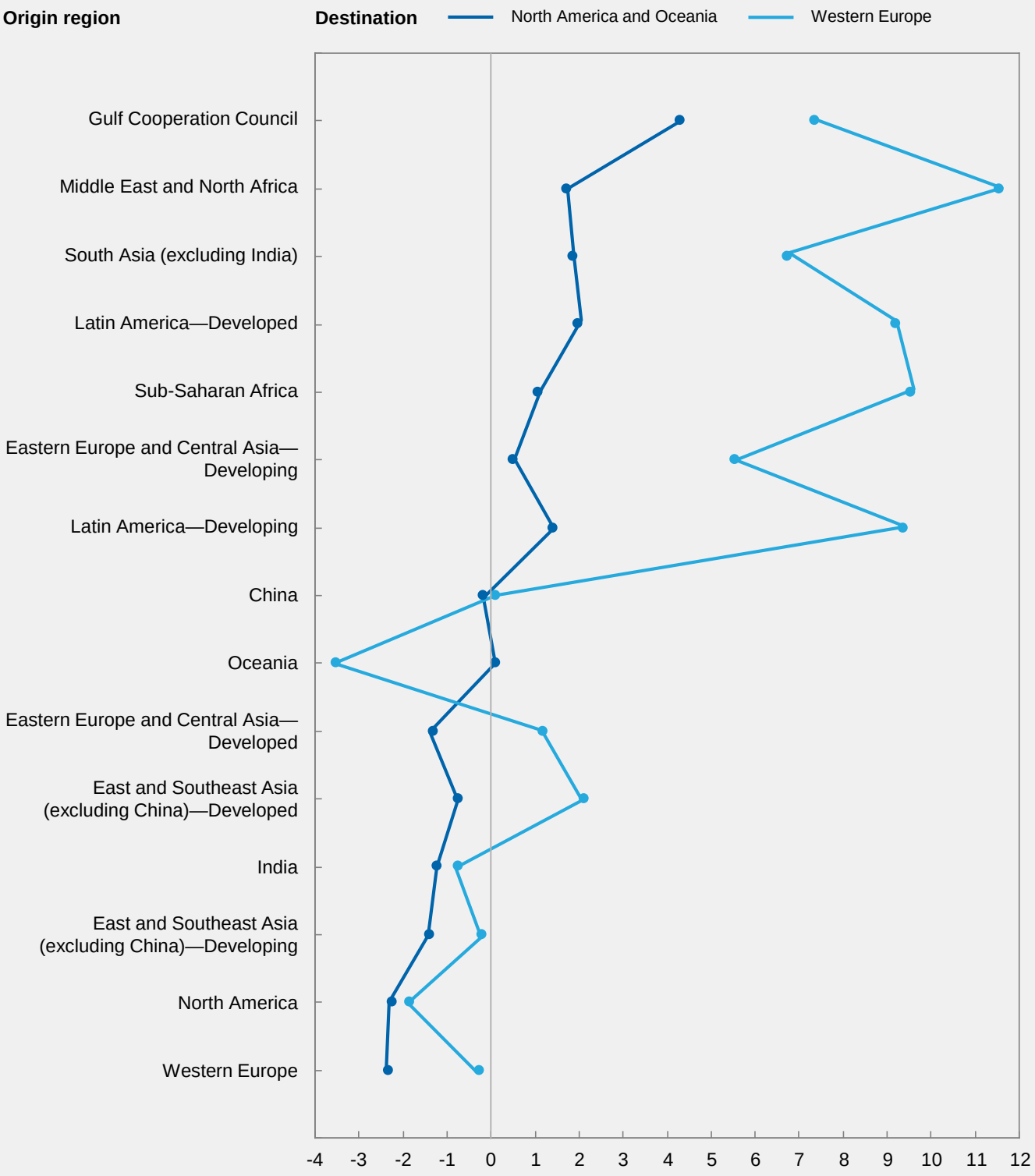
1 "Why the French are so strict about Islamic head coverings," *The Economist*, July 6, 2014. In a recent poll conducted by Ifop for *Le Figaro*, 47 percent of French respondents said that the Muslim community poses a "threat to national identity," and almost two-thirds said Islam had become too "influential and visible." See "Unease with Islam on the rise in France and Germany, new poll finds," *France 24*, April 29, 2016.

2 Claire L. Adida, David D. Laitin, and Marie-Anne Valfort, "Identifying barriers to Muslim integration in France," *Proceedings of the National Academy of Sciences of the United States of America*, volume 107, number 52, December 2010.

Exhibit 21

The employment rates of migrants vary in relation to those of native workers by country of origin

Unemployment rate of migrants by origin region (difference in relation to native unemployment)
% of labor force, average for 2000, 2005, and 2010



1 2010 unemployment rates used due to significant changes in migrant stock profile post-2004 Schengen expansion to Eastern European countries.

SOURCE: 2010 OECD DIOC data; McKinsey Global Institute analysis

A WIDE MENU OF INTERVENTIONS CAN SUPPORT SUCCESSFUL INTEGRATION

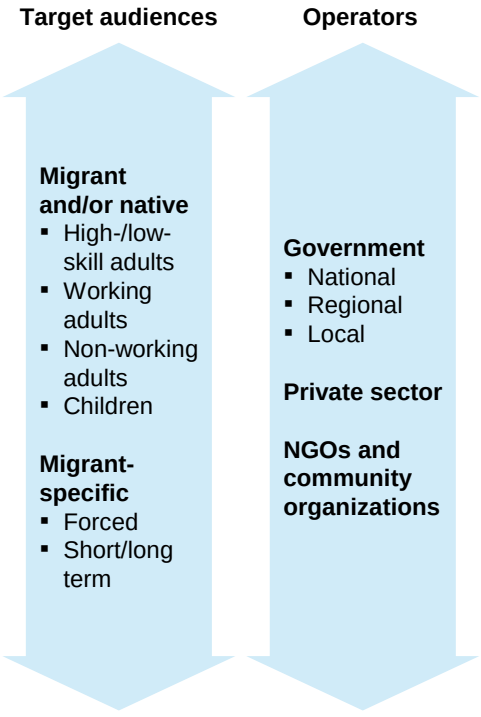
Given that no country has fully cracked the code on how to manage the integration process, we reviewed more than 180 case studies of initiatives around the world to understand the variety of approaches being taken by governments and other stakeholders. While we do not have enough evidence or data to quantify their impact, the interventions and ideas presented below are intended to serve as food for thought. We have grouped these initiatives into five categories that align with the assessment framework described above: labor market and economic integration, educational integration, housing and health integration, sociocultural integration, and civic and political integration. The full menu of options is distilled in Exhibits 22 through 27, which note whether each initiative is being driven by national or municipal (local) governments, private-sector actors, or NGOs. It also notes which segment of the population each one is meant to address.

As discussed in Chapter 1, it is important to note that not all immigrants who were forced from their homeland because of violence, natural disaster, or extreme poverty are classified as refugees. While they cannot be quantified, millions of immigrants may have suffered losses or trauma, but their needs often go unrecognized and unsupported. Any effort to create a comprehensive integration policy should take these needs into consideration.

Exhibit 22

Integration interventions fall into five broad categories, with a multitude of potential target audiences and operators

	Categories of initiatives	
Economic	**Labor market and economic**	▪ Awareness of labor market rights and access to opportunities ▪ Mentorship and resource networks ▪ Skills training
Social	**Education**	▪ Expand awareness of and access to education services ▪ Improve quality of instruction and support ▪ Autonomy and resources to customize curriculum
	Housing and health	▪ Awareness of and access to social services ▪ Facilitate use of social services
	Sociocultural	▪ Assimilation courses ▪ Cultural differences training
Civic	**Civic and political**	▪ Awareness and access to basic rights ▪ Civic education ▪ Political empowerment to improve migrant outcomes



SOURCE: McKinsey Global Institute analysis

Exhibit 23

Labor market and economic initiatives

Target audiences

N Natives | Migrants

A All | E Economic | F Forced | C Children

Operators

Government

N National | M Municipal | P Private sector (including NGOs)

			Target audiences					Operators		
				Migrants						
Subtheme	Initiative	Example locations	N	A	E	F	C	N	M	P
Awareness of labor market rights and opportunities	Special immigration centers to create awareness of labor market rights	Portugal		A				N		
	Job search guides for immigrants	United States		A				N		
	Work-related orientations and job placement assistance	Canada			E	F		N		
	Simplified recognition of foreign qualifications	Canada; Australia; Chicago, United States			E	F			M	
	Internships, jobs, and volunteer opportunities organized and funded by the city	Chicago			E				M	
Mentorship and resource networks	Mentoring program for skilled newcomers	Canada			E			N		
	Business plan competition for innovative strategies to assist immigrant entrepreneurs	New York City, United States			E	F			M	
	Free courses to help small businesses launch, operate, and expand	New York City, United States			E	F			M	
	Business expo to showcase immigrant businesses and provide networking opportunities	New York City, United States			E	F			M	P
	Access to resource network for immigrant-owned businesses	Chicago, United States			E	F			M	
	Small business incubators in immigrant neighborhoods to answer newcomers' questions about how to launch and grow a business	Chicago, United States			E	F			M	
	"Chamber University" to train leaders of the chambers of commerce to reach out and support immigrant businesses	Chicago, United States			E				M	P
	Counseling, coaching, and language teaching through internships in local companies	Hamburg, Germany			E				M	P
	Personalized counseling and the introduction of third-country migrant participants to professional networks	Entrepreneurs Without Borders			E					P
	Series of networks to provide support for professionals dealing with immigration and multicultural diversity	Helsinki, Finland			E	F			M	
Skills training	Introductory and vocational training	Czech Republic			E	F		N		
	General language training	United States; Canada; Australia		A				N		
	Special labor-market-related and job-specific advanced language training	Canada; London, England			E			N	M	
	Customized skills assessment, placement, and coaching	Germany; Romania; Marseille, France			E			N	M	P
	Financial assistance to organizations to train workers in English language, literacy, and numeracy skills	Australia			E	F		N		P
	Single contact point for certified providers of integration courses, particularly language and vocational training providers	Erfurt, Germany		A					M	
	Additional emergency programs during economic downturn	Czech Republic		A				N		

SOURCE: McKinsey Global Institute analysis

Exhibit 24

Education initiatives

Target audiences

N Natives | Migrants: A All, E Economic, F Forced, C Children

Operators

Government: N National, M Municipal | P Private sector (including NGOs)

Subtheme	Initiative	Example locations	Target audiences: N	Migrants: A	Migrants: E	Migrants: F	Migrants: C	Operators: N	Operators: M	Operators: P
Expand awareness and access	Pre-school program	Netherlands					C	N		
	Language lessons for parents and children together	Frankfurt, Germany		A			C		M	
	Programs to involve parents in helping their children find suitable training programs in the education system through a series of awareness-raising activities	Education Without Borders (Germany)		A			C			P
	Education opportunities for young-adult immigrants	Munich, Germany					C		M	P
	Free visits to the kindergartens along with the use of intercultural educators	Lower Austria					C	N		
	Local university-led sponsorship programs for refugee students	Toronto, Canada					C	N	M	
Improve quality of instruction and support	Early identification of disadvantaged students	Toronto, Canada					C		M	
	Leverage native students to help immigrant students learn local language	New York City, United States					C		M	
	Programs to involve parents to assist children in the process of learning	Netherlands		A			C	N		
	Specific training for teachers to handle multicultural classrooms	Netherlands; United Kingdom; Sweden					C	N		
	Appoint a multicultural teaching staff to promote intercultural education	Hamburg, Germany; Oslo, Norway					C		M	P
	Intercultural educators with special training (3-year course) employed in addition to existing staff	Lower Austria					C	N		
	Quality assurance program in multiethnic schools	Zurich, Switzerland					C		M	P
	Integration of early childhood education, parenting education, and adult literacy or basic adult education into a unified family literacy program	United States					C	N		
	Integration of the approaches of the various educational institutions through partnerships between different administrative and educational institutions to find integration solutions at an early stage of intellectual development	Lower Austria					C	N		
Autonomy and resources to customize curriculum	Grant autonomy and award funding for customizing curriculum	Netherlands; United States; Australia					C	N		
	School curricula designed to represent local diverse local populations, including religious immigrant communities	Toronto, Canada; Wiesbaden, Germany					C		M	
	Grants to address the needs of children who have had education interrupted	United States					C	N		
	Grants to enhance the interstate and intrastate coordination of migrant education programs	United States					C	N		
	Grants to states based on the number of immigrant and limited English proficiency students in each state	United States					C	N		

SOURCE: McKinsey Global Institute analysis

Exhibit 25

Housing and health initiatives

Target audiences

N Natives | Migrants

A All | E Economic | F Forced | C Children

Operators

Government | P Private sector (including NGOs)

N National | M Municipal

Subtheme	Initiative	Example locations	Target audiences: N	Migrants: A	Migrants: E	Migrants: F	Migrants: C	Operators: N	Operators: M	Operators: P
Awareness of and access to social services	Pre-departure orientation	Canada		**A**				**N**		
	Thematic tool kits with brief dialogues on health, education, and other topics	Romania; Athens, Greece; Helsinki, Finland		**A**					**M**	
	Organizing fairs to help immigrants understand and access social services	Vancouver, Canada		**A**						**P**
	Develop local housing strategy using a multi-stakeholder and participant approach	Leeds, England		**A**					**M**	**P**
	Financial assistance for accommodations, essential clothing, household items, and other living expenses	Canada				**F**		**N**		
	Municipal ID to gain access to social services	New York City and San Francisco, United States		**A**					**M**	
	Islam-friendly lending program to allow Muslims access to funds to purchase a home without violating religious prohibitions against paying or receiving interest	Chicago, United States		**A**					**M**	**P**
	Social counseling and information on access to medical services	Romania		**A**				**N**		
	Housing access by leveraging existing networks and finding ways to increase the housing supply (e.g., enable redevelopment of certain areas)	Lombardy, Italy		**A**				**N**		
Facilitate use of social services	City venues and services are accessible to culturally and linguistically diverse groups	Sydney, Australia	**N**	**A**					**M**	
	New strategic partnership between neighboring regions to tackle diversity management in local public services	Hesse, Germany	**N**	**A**					**M**	
	Remove cultural barriers to help patients and providers achieve better health care	Seattle, United States		**A**					**M**	
	Train the immigrant community to promote modern health care	Hannover, Germany		**A**					**M**	**P**
	Map immigrant health care to improve maternity services in migrant communities	Birmingham, England		**A**					**M**	**P**

SOURCE: McKinsey Global Institute analysis

Exhibit 26

Sociocultural initiatives

Target audiences

N Natives | Migrants: A All, E Economic, F Forced, C Children

Operators

Government: N National, M Municipal | P Private sector (including NGOs)

Subtheme	Initiative	Example locations	Target audiences: N	Target audiences: Migrants A	Target audiences: Migrants E	Target audiences: Migrants F	Target audiences: Migrants C	Operators: N	Operators: M	Operators: P
Assimilation courses	Language courses for immigrants	United Kingdom; Germany; Sweden; Portugal; Netherlands		A				N		
	Network of language training providers	Helsinki, Finland		A					M	
	Pre-departure orientation	Canada		A				N		
	Courses on host country history and practices	Athens, Greece; Helsinki, Finland		A					M	
	Peer support group in native tongue to discuss courses on host country practices	Helsinki, Finland		A					M	
	Language interpreting services	Australia		A					M	
	Resource providing information on language courses	United States		A				N		
Cultural differences training	Training professionals and officers on how to deal with immigration issues	Sydney, Australia; Tampere, Finland	N	A					M	
	Campaigns and courses to broaden awareness of diversity and multiculturalism	Germany' Portugal; Sweden; Netherlands		A					M	
	Environment where immigrant women are able to learn informally through group activities, field trips, etc.	United Kingdom		A				N		
	Program for migrant women in caring for other migrant women and enabled them to occupy an empowering role as social mediators	Sweden		A				N		
	Cultural and festive events to celebrate multiculturalism	Ville de Roubaix, France	N	A					M	P
	Forums for interaction between native and immigrant populations	United Kingdom	N	A				N		P
	Financial support to communities to attract and retain immigrants	Canada	N	A				N		
	Manuals and brochures on intercultural communication	Suceava, Romania		A					M	
	Social theater as a means of social integration in order to enhance mutual understanding and tackle stereotypes	Stockholm County, Sweden	N	A					M	P
	City venues and services are accessible to culturally and linguistically diverse groups	Sydney, Australia	N	A					M	
	Islam-friendly lending program to allow Muslims access to funds to purchase a home without violating religious prohibitions against paying or receiving interest	Chicago, United States		A					M	
	Program leveraging older migrants by promoting their qualities as storytellers	Rotterdam, Netherlands		A					M	
	New strategic partnership between neighboring regions to tackle diversity management in local public services	Hesse, Germany		A					M	
	Recruitment of asylum seekers and refugees as public service workers to build confidence among third-country nationals	Stoke-on-Trent, England		A		F			M	

SOURCE: McKinsey Global Institute analysis

Exhibit 27

Civic and political initiatives

Target audiences

N Natives | Migrants: A All, E Economic, F Forced, C Children

Operators

Government: N National, M Municipal | P Private sector (including NGOs)

Subtheme	Initiative	Example locations	Target audiences: N	Migrants: A	Migrants: E	Migrants: F	Migrants: C	Operators: N	Operators: M	Operators: P
Awareness of and access to basic rights	All migrants are provided access to basic rights	Portugal; Germany		A				N		
	Legal services for obtaining citizenship/basic rights	New York City, United States		A					M	
	Resources (in multiple languages) providing information on basic rights	United States		A				N		
	"One-stop shop" for migrants in search of information about public services and rights	Mazovian Province, Poland		A					M	
	Refusal to detain or deport law-abiding undocumented residents	New York City and Chicago, United States		A					M	
	Interactive telephone service to deliver personalized legal aid	Basque Country, Spain		A				N		
	Officers educate immigrants on citizenship rights, privileges, and responsibilities	New York City, United States		A				N		
Civic education	Centralized resource (in multiple languages) providing information on civic culture/engagement, naturalization	United States; Australia		A				N		
	Program encouraging cities across the country to invest in citizenship programs	Cities for Citizenship		A					M	P
	Game that promotes understanding of the different civic organizations and their roles	Lombardy, Italy	N	A				N		
	Grants to community-based organizations that help immigrants naturalize	United States		A				N		
	Program that places volunteers in communities to help immigrants naturalize	United States		A				N		
	Grant program that helps migrants prepare for citizenship test, including basic computer skills training	Australia		A				N		
	Information campaigns about foreigners' voting rights in local and European elections	Ville de Roubaix, France		A					M	
Political empower-ment to improve migrant outcomes	Programs leveraging immigrants as liaisons between government authorities and the public	United Kingdom		A				N		P
	Decision-making powers to local government for integrating immigrants	United Kingdom; Germany; Portugal; Italy		A				N		
	Limited voting rights for eligible immigrants	Sweden; Portugal		A				N		
	Platform for immigrant communities to raise issues with city council and other local policy stakeholders	Ville de Roubaix, France		A		F			M	P
	Program engaging migrants who have been residents for a longer period of time to think about how reception services could be improved	Ville de Nantes Metropole, France		A		F			M	
	Program to bring together representatives of NGOs, migrant communities, and local government officials to find remedies to issues faced by third-country nationals	Mazovian Province, Poland		A				N	M	P

SOURCE: McKinsey Global Institute analysis

OUR REVIEW OF THESE INITIATIVES YIELDS A CLEAR SET OF GUIDING PRINCIPLES AND IMPLICATIONS

Our global review reveals that there is no shortage of innovative approaches for helping new arrivals establish a foothold in a new homeland and connect with productive opportunities. From these case studies and stakeholder interviews, we highlight eight guiding principles and implications for policy makers and advocates to consider:

- Change the narrative by thinking of immigration as an opportunity to gain long-term dividends despite short-term challenges.
- Recognize that integration is a two-way process involving both immigrants and local communities.
- Empower and equip local innovators and agencies to implement integration initiatives that fit the needs of their communities.
- Start integration interventions early, and sustain the momentum over the longer term.
- Work with multiple stakeholders by forming partnerships and coalitions.
- Embed integration priorities into the urban planning process.
- Push for better and more granular data collection to tailor and improve integration initiatives.
- Celebrate, share, and replicate successes.

Change the narrative by thinking of immigration as an opportunity to gain long-term dividends despite short-term challenges

The presence of migrants—and refugees in particular—is often discussed as a burden to be shared by destination countries or as a responsibility. While a large body of evidence illustrates the positive role of migration in growth, multiple surveys suggest that segments of native-born populations hold a negative view of immigration. It is therefore important to shift the narrative in a new direction: one that accepts migration as a given and focuses on how integration can be improved to realize bigger dividends.

In the United States, the Partnership for a New American Economy is one organization that is trying to change the conversation. The group has published numerous studies on key immigration issues to support its goal of making the economic case for immigration and proposing ways to modernize and improve integration. In addition, it has brought together more than 500 Republican, Democratic, and independent mayors and business leaders to advocate for change at the national policy level. By collecting evidence on the potential upside of immigration, the group aims to shift the focus onto maximizing its benefits.

Some counties in the Atlanta, Georgia, area have chosen to focus on the opportunity from migration and have reaped the benefits. Atlanta's foreign-born population grew more than fourfold from 1980 to 2000. DeKalb County, due east of the city, embraced the influx and the economic opportunity it represented. Its city councils worked closely with school officials to translate important information into other languages. Zoning was established to create a multiethnic International Village with housing and businesses that cater to Asian and Latino immigrant communities. Today the Buford Highway International Corridor is lined with hundreds of immigrant-owned businesses and has become a local dining and shopping destination. Other counties in Georgia went in the opposite direction, passing English-only ordinances, laws to discourage day laborers from congregating to find work, and zoning regulations that limited occupancy in single-family homes. Unsurprisingly, immigrants voted

with their feet, taking their families and economic contribution to DeKalb. Today, DeKalb hosts the largest number of refugees in the state of Georgia and maintains a very strong push on providing access to education for migrants and refugees.

Recognize that integration is a two-way process involving both immigrants and local communities

Integration involves allaying the fears of local communities, fostering a welcoming attitude, and making a place for immigrants. But for their part, immigrants need to actively seek to fit in, whether that means being sensitive to local cultural norms or acquiring language skills (see Box 7, "Communication and community: The importance of language in integration"). Viewing integration as a two-way process of mutual understanding between native citizens and immigrants can open up a variety of creative approaches.

Stuttgart, Germany, stands out as one of the most notable examples. The city's Pact for Integration was the first of its kind, designed to inspire and create a community that accepts and respects the identities and histories of all its constituents. It began with a framework for building cultural understanding through means such as multilingual education and media (including community newspapers that connect immigrants with local news and events). A team of trained mediators was placed on call to intervene in cases of cultural conflict. Stuttgart also gave immigrants a political and civic voice by creating an "international committee," a local consultative body made up partly of elected immigrants. The city government has even lobbied for the right of all non-Germans to participate in local elections. The message of integration as a two-way process between migrants and natives is truly enshrined in the pact's missions and interventions. Unsurprisingly, Stuttgart has reaped the economic benefits and boasts the lowest immigrant unemployment rates of any city in Germany.

Following Stuttgart's model, a number of other cities in Germany and elsewhere around the world have crafted similar frameworks. In 2006, a group of cities formed the European network of cities for local integration policies for migrants to build pacts like the one in Stuttgart, drawing on its lessons. The network today comprises 35 cities from 22 European countries, including major capitals such as Amsterdam, Athens, Budapest, Copenhagen, Dublin, Helsinki, Lisbon, Prague, and Vienna.

In Canada, the government has paved the way for citizens to actively help refugees with the arrival process and to see it through over time. Groups of five Canadian citizens or permanent residents can arrange to sponsor a refugee living abroad to come to Canada. The group is responsible for giving emotional and financial support to the refugee for the full sponsorship period, which is usually one year. This program, traditionally limited to those who have already gained refugee status, was temporarily altered to exempt Syrians and Iraqis from providing proof of refugee status. Canadians have responded by enthusiastically embracing the program and the new arrivals. The country's immigration minister recently stated that officials can hardly keep up with demand from Canadians who want to help with sponsorship—and as a result, the government, which had initially committed to taking in 25,000 Syrian refugees, more than doubled its commitment to 57,000 by the end of the year.[110]

[110] Jodi Kantor and Catrin Einhorn, "Refugees encounter a foreign word: Welcome," *New York Times*, July 1, 2016.

Box 7. Communication and community: The importance of language in integration

At the heart of building a community is the need for locals and immigrants to be able to communicate with each other. In the United States, some of the most innovative efforts at language instruction are locally based, through schools that have introduced bilingual programs. In these schools, English language learners (ELL), or students who enter school speaking a language other than English, sit in the same classroom with English-speaking students. The partner language is used for a significant portion (50 to 90 percent) of the students' instructional day, with the goal of not only teaching immigrant students English but also of producing genuinely bilingual students in the broader population.

In many of these programs, 90 percent of the instruction in kindergarten and first grade is in the partner language, with each subsequent grade incorporating more English. While most of these dual-language programs are in Spanish due to the large Latino immigrant population in the United States, other schools across the country have adopted similar approaches with Mandarin, Cantonese, Korean, Japanese, Arabic, Russian, French, German, Portuguese, and Italian.[1] As an example, the Internationals Network for Public Schools is a group of 12 public high schools in New York and California that has had great success via such an immersive approach. These schools have posted graduation rates that are more than double the rate of all English language learner students in aggregate in the regions where the schools operate. In addition, 90 percent of students from Internationals Network schools go on to college.[2]

Many European countries also build language instruction into the broader fabric of community building at the city level. Dublin's local library service noticed that libraries often served as meeting points for immigrant communities, so it established a Conversation Exchange program and built up the selection of foreign-language books available across its more than 30 libraries. In Frankfurt, a program called Mama Lernt Deutsch—auch Papa ("Mama learns German—even Papa") teaches language skills while aiming to build stronger community ties. Immigrant mothers and fathers join their children in kindergarten and primary school classrooms for two mornings a week to learn German and be a bigger part of their children's educational experience. The joint parent-child language classes are focused on practical, everyday words and expressions that help in navigating life in Frankfurt and Germany more broadly. This program has the added benefits of fostering a cooperative relationship between schools and parents, easing social and educational integration for immigrant children, and allowing immigrant parents to share stories and advice.

There are also many innovative examples of language learning focused on working-age adults as part of a broader push to improve immigrant employment around the world. McDonald's established a program called "English Under the Arches" to teach English as a second language to employees around the United States to help them in their career progression. The initiative offers a combination of traditional in-class learning, computer and internet-based learning, and on-the-job practice to help participants both at work (providing improved customer service and better operations) and outside of work.[3] Language interventions like those discussed here can be expanded to cities around the world to break down the barriers that are an impediment to immigrants in finding work, building ties with their neighbors, and participating in civic life.

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1 Kathryn Lindholm-Leary, "Education: Dual language instruction in the United States," *Americas Quarterly*, fall 2013.

2 "Language-wise in the global classroom," Cities of migration blog, October 11, 2011, http://citiesofmigration.ca/good_idea/language-wise-in-the-global-classroom/.

3 "English Under the Arches," www.archwaystoopportunity.com/english_under_the_arches.html.

Empower and equip local innovators and agencies to implement integration initiatives that fit the needs of their communities

Integration ultimately happens at the community level, which argues for empowering local leaders to design and implement programs. Local authorities are uniquely positioned to effectively combine top-down strategy with the ability to mobilize businesses and community organizations; they understand the needs on the ground and can quickly see what works. Some cities and towns have been pioneers in creating effective programs for their immigrant communities, even in the absence of national guidelines.

In the United States, Dayton, Ohio's "Welcome Dayton" initiative is a local effort to facilitate interaction between immigrants and native-born citizens. It encompasses programs across business and economic development (such as helping immigrants start businesses) as well as government and the justice system (for example, forming partnerships among the police force, NGOs, refugees, and religious institutions to foster understanding between different communities and law enforcement). It also addresses issues in social and health services to ensure more effective delivery to immigrants and attempts to build cultural bridges through music and theater programs for both natives and immigrants.[111] One study found that the city of Dayton has gained substantially from these efforts. Housing values in the county have increased, the foreign-born population has contributed significant state and local taxes, and immigrants in the area are twice as likely as natives to form their own businesses. The federal government has recognized Dayton for its success, with the Department of Housing and Urban Development granting the city funds to continue these programs. Dayton was also cited in the White House Task Force Report on New Americans as an example of a city with best-in-class integration programs.[112]

Immigrants may find it difficult to navigate legal and administrative requirements and access the services they need in an unfamiliar place. A single point of contact can coordinate services provided by disparate organizations and ensure more effective joint action. New York pioneered the first US city government office dedicated to immigrant integration. The Mayor's Office of Immigrant Affairs performs a wide range of services. It helps immigrants obtain municipal ID cards, which can be crucial for opening bank accounts and establishing utilities. It connects them with health-care and legal services, English language instruction, financial literacy and college readiness programs, and entrepreneurial support. The office has become a model and a resource for local governments across the United States and around the world, some of which have followed suit and established comparable immigrant services agencies.[113]

Neighborhood Centers, one of the biggest community service non-profits in the United States, operates in the poorest neighborhoods of Houston, Texas, primarily serving immigrants. The organization makes it a point to go in person to any place it is invited and to design and adjust the programs it offers in a given neighborhood after listening to residents in community meetings and interviews. Tapping into every possible funding stream from government agencies, the organization delivers a wide range of services, including pre-schools, charter schools, recreational spaces, financial counseling, tax preparation assistance, and assistance with applying for citizenship. Neighborhood Centers also works closely with community colleges and local employers to connect immigrants with training programs that lead directly to better jobs.[114]

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111 "Welcome Dayton" initiative, City of Dayton, www.welcomedayton.org.

112 *Welcome to Dayton: How immigrants are helping to grow Dayton's economy and reverse population decline*, Partnership for a New American Economy and Welcome Dayton, July 2015.

113 Kirk Semple, "New York City's Office for Immigrants has become a global model," *New York Times*, December 30, 2013.

114 See Michael Berryhill, "Houston's quiet revolution," *Places Journal*, March 2016; David L. Kirp, "What do the poor need? Try asking them," *New York Times*, August 8, 2015; and Neighborhood Centers 2014–2015 annual report, www.neighborhood-centers.org/annual-report.

Start migrant integration interventions early, and sustain the momentum over the longer term

Taking an end-to-end view of the integration process often helps to identify the points where crucial interventions are needed. The longer migrants are not integrated into destination countries, the greater the risk they may end up in a poverty trap. Refugees particularly face this risk as the asylum process (including appeals) can take months or years, leaving them and their families in limbo. To avoid this, some cities have started to streamline migrant management processes using lean principles to simplify and digitize documentation, work with multiple agencies, and begin integration efforts in parallel.

Typically the notion is that integration begins when migrants arrive, but some innovative interventions aim to create a head start by offering education and orientation for both migrants and natives before the journey even begins. The Canadian Immigrant Integration Program is an example of this kind of pre-arrival onboarding. It provides prospective migrants with a resource network to connect with employers and attend live online mentoring sessions. Its group orientation workshops inform migrants about job prospects, job readiness, job searches, and the current Canadian economic climate. Many migrants report that this program eased their path and gave them a stronger understanding of Canadian culture.[115]

More than a decade ago, the city government of Hamburg, Germany, recognized that the difficulty of obtaining work permits was a critical bottleneck that prevented asylum seekers from being accepted into training programs or finding jobs. To address this issue, city officials created the "Safe Haven in Hamburg" program, which is designed to help asylum seekers gain legal access to the labor market. It also provides training and counseling based on their previous experience, places them into internships, and introduces them to a broad range of corporations to build their professional network.

In Australia, one NGO identified a gap in the typical refugee support structure, realizing that most programs end five years after entry even though many refugees could benefit from more extended support. Active Refugee and Migrant Integration in Australia collaborates with religious groups, women's associations, youth groups, and senior groups to offer a wide variety of programs over the longer term. Its services include legal aid, citizenship, skills training, social events, psychological counseling, housing, domestic violence and parenting support, health, and education.

Work with multiple stakeholders by forming partnerships and coalitions

Governments are not the only actors that can make a difference to the immigrant experience. Given the multifaceted nature of integration issues, some of the most effective interventions rely on coalitions that draw on the strength of a variety of organizations and stakeholders. The XEIX project in Barcelona, for example, was started by a retail merchants association as an attempt to bring together shopkeepers of diverse backgrounds to foster local development and address the xenophobia that arose after an influx of Chinese entrepreneurs. The organization collaborated with local Chinese entrepreneurs on key programs that would break down barriers of language and distrust between Chinese immigrants and local citizens, using strategies such as Chinese after-school classes, an intercultural poetry exchange, and anti-rumor campaigns. In order to implement many of their ideas, project leaders partnered with 21 local immigrant organizations, private-sector companies, and local government. Last year, the XEIX project won the 2015 Diversity Advantage Challenge Award from the Council of Europe.

[115] Canadian Immigrant Integration Program, www.newcomersuccess.ca.

Tucson, Arizona, similarly relies on an extensive collaboration among numerous organizations to serve the needs of immigrants. Because it is situated near the Mexican border, Tucson—and southern Arizona more broadly—has one of the largest communities of Mexican immigrants in the United States. The city has also taken in a significant number of refugees from Africa, Asia, and the Middle East over the past two decades, including Bantu refugees from Somalia and a number of Syrians who escaped the current conflict there. According to Lutheran Social Services of the Southwest, each year 800 to 900 refugees settle in Tucson.[116] Multiple organizations work in concert with local government to help these new arrivals gain a foothold. A non-profit organization called Literacy Connects offers a continuum of programs; for decades it has recruited and trained volunteers to teach adult English language classes in public libraries, schools, and community centers.[117] The Iskashitaa Refugee Network brings together local volunteers as well as UN refugees from all over the world who have previously settled in Tucson to welcome the newest wave of refugees and to work with them to locate, harvest, and redistribute locally grown fruits and vegetables that may otherwise be wasted. Through its activities, the network not only builds knowledge in the community about sustainable food systems but also helps improve self-sufficiency among refugee households of 30 different ethnic origins.[118] Larger resettlement agencies, including the International Rescue Committee, Refugee Focus, and the Arizona Refugee Resettlement Program, also help coordinate local integration efforts.

Education-based organizations in particular have found innovative ways to help refugees gain language fluency and other skills, as well as recognizable credentials. Coursera, the largest open online education provider, has partnered with the US Department of State to create Coursera for Refugees. Any non-profit that works with refugees can apply for at least one year of group financial aid to help refugees access language instruction and more than 1,000 course offerings from schools such as Stanford University, the University of Pennsylvania, the University of Edinburgh, and IE Business School. Coursera is also offering online English language instruction. As part of the partnership, US embassies and consulates will host in-person language classes. The first, held at the US embassy in Beirut, will teach English to refugees and local Lebanese students.[119]

Embed integration priorities into the urban planning process

The challenges facing immigrants are often overlooked in the urban planning process. One particular issue is the lack of affordable housing, which can lead immigrant groups to cluster into isolated communities. Neighborhoods with strong ethnic identities can be a positive thing, offering a place for new immigrants to find support. But if they have suboptimal housing options, they may develop all the problems associated with a high concentration of poverty.

Some cities have tried to address this issue, along with the broader lack of immigrant access to affordable housing, by introducing ethnic quotas in public housing developments. Amsterdam is building housing developments with the explicit goal of intercultural and social exchange between different ethnic groups. In general, about 40 percent of each space is designed to house a diversity of residents to stimulate such exchange and 60 percent is allocated to privately rented apartments. Amsterdam is also investing heavily in parks, sports facilities, and social spaces in districts that historically have been segregated to prevent ghettoization. The city invested more than €7 billion from 2000 to 2015 in the Zuidoost and Nieuw West districts, where the foreign-born population exceeds 60 percent.[120]

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116 Johanna Willett, "Local agencies receiving Syrian refugees," *Arizona Daily Star*, September 5, 2015.

117 Literacy Connects, www.literacyconnects.org.

118 Iskashitaa Refugee Network, www.iskashitaa.org.

119 "Coursera for refugees launches for World Refugee Day," US State Department media note, June 20, 2016.

120 Anja Van Heelsum, *Case study on housing: Amsterdam, Netherlands*, CLIP network and European Foundation for the Improvement of Living and Working Conditions, July 2007.

Box 8. Educational outcomes for migrant children

While the positive impact of immigrants on destination labor markets is well documented, the outcomes are often shaped and determined years earlier by their experience in the classroom. According to the Programme for International Student Assessment (PISA) 2006 database, across top destinations, immigrant children appear to be more ambitious than natives. In the United Kingdom, for example, students who are second-generation migrants are 24 percentage points more likely than native children to expect to become a professional or manager; this difference is 18 percentage points in Canada and 17 percentage points in Australia.[1] However, this ambition does not correlate with educational performance. In computer-based problem solving across mathematics and reading as measured in PISA 2012, natives actually performed better than both first- and second-generation immigrants in multiple major destinations, including the United States, Canada, France, and Spain.[2]

One potential reason for this discrepancy is that immigrant households are generally more disadvantaged in socioeconomic terms than native households. In 2012, across the United States, Germany, the United Kingdom, Canada, France, Australia, and Spain, the disposable income of immigrant households was 14 to 33 percent lower than that of native households.[3] After adjusting for socioeconomic factors, immigrant students in the United States and Canada actually outperform native students in mathematics. However, even after this adjustment in many other destinations, including Germany, France, Spain, and the United Kingdom, the performance gap persists. Thus, other factors are likely at play.

Another potential contributor to a gap in educational performance is the concentration of immigrant children in disadvantaged schools. In 2012, on average across OECD countries and economies, immigrant children represented 11 percent of the total student population, but 16 percent of the student population attending socioeconomically disadvantaged schools.[4] This disparity is particularly pronounced in the United States, where migrant children constituted 21 percent of the total student population but 40 percent of the student population in disadvantaged schools.

Additionally, the right to public education is often poorly implemented. A 1982 US Supreme Court ruling established that states cannot deny children a free public education, regardless of immigration status. But due to lack of funding and legal enforcement, many young immigrants never get this opportunity. Immigrant children in at least 14 US states are routed to adult or non-degree-conferring programs, or denied school altogether.[5] In addition, US federal funding is meager, with the national government providing just $14 million in grants for districts that receive more than 50 unaccompanied minors, amounting to just $175 per year per child—a fraction of what it costs a local district to educate the child. To ensure that immigrants eventually reach their full productive potential, much can be done to improve educational outcomes for both first- and second-generation migrants.

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1 PISA 2006 database, OECD.

2 PISA 2012 database, OECD.

3 European Union Statistics on Income and Living Conditions 2012, Australian Census on population and housing 2012, Canadian National Household Survey 2011, US Current Population Survey 2012.

4 From the PISA 2012 database, a "socioeconomically disadvantaged school" is defined as one whose students' mean socioeconomic status is statistically significantly below the mean socioeconomic status of the country/economy.

5 "Migrant children kept from enrolling in school," Associated Press, May 1, 2016.

Push for better and more granular data collection to tailor and improve integration initiatives

The lack of detailed or up-to-date data on each stage of the immigrant experience—from journey to arrival, obtaining jobs, and finally how immigrants' children and grandchildren fare—limits the ability of policy makers and stakeholders to know what interventions are most effective. In this research, we have categorized and tracked interventions where possible, especially at the country level. But given the outsized importance of cities when it comes to migration, the availability of more granular data could play a huge role in ensuring future integration success.

Development Initiatives is one organization that is dedicated to improving data availability in the hopes of eradicating poverty and improving development outcomes worldwide, including those linked to migration. Its research indicates that national poverty surveys in countries that host the most refugees are largely out of date, and in fact, of the 20 countries hosting the greatest numbers of refugees in 2015, only seven specifically noted refugees in their latest comprehensive poverty surveys.[121] Given that refugees are displaced on average for 17 years, this lack of updated data makes it difficult to design interventions that will help ensure better long-term outcomes.

A Rockefeller Foundation initiative called 100 Resilient Cities is committed to helping cities prepare for and respond to the variety of challenges they face today. It has highlighted the need for improved city-level data to determine which existing interventions are successful, and it is compiling a practitioner-friendly handbook that will include examples of how cities have successfully used data in their integration efforts.[122]

Celebrate, share, and replicate successes

Building a cohesive community where people of diverse cultures come together to live in close proximity may be a tall order for any government or social-sector organization. Integration is a long-term, complex process that takes a significant investment of time and capital from a variety of stakeholders. Organizations and communities should celebrate the successes they achieve along the way to reinforce what is at stake and to inspire other communities.

Sharing innovative and effective approaches is important not only for municipalities and local organizations that are running programs on the ground but also for national governments and for national and global NGOs. Organizations such as Cities of Migration, the European Commission, the International Organization for Migration, the Global Parliament of Mayors, the Rockefeller Foundation and 100 Resilient Cities, Development Initiatives, and multiple UN agencies as well as national-level immigrant integration organizations (such as the Partnership for a New American Economy) facilitate the gathering and dissemination of these innovative approaches today. Gathering data and evidence on what works and sharing those approaches with the broader global community is critical to addressing the inequities that migrants face as they try to carve out a better life in a new country.

Regularly monitoring progress is crucial to understanding what works and when strategies need to be adjusted. But the challenge is that many interventions that benefit immigrants are actually aimed at broader disadvantaged populations; often there are no data on how immigrants fare on key social dimensions over time. In education, for example, outcomes play out slowly over a window of 15 years or more. National governments and organizations can play an important role in supporting local agencies, since there can be significant cost

[121] *Forced displacement, poverty, and financing: Seven facts you need to know*, Development Initiatives, September 2016.

[122] Samer Saliba, *Migration: Cities at the forefront*, 100 Resilient Cities, September 2016.

savings in sharing data-tracking systems and approaches across localities in addition to creating the benefit of data standardization.

IMPLICATIONS FOR THE PRIVATE SECTOR

Addressing the challenges that are part of the immigrant experience is often regarded as a government or social-sector undertaking. But private-sector companies are now engaging more with the issue. Their involvement goes beyond corporate social responsibility efforts and includes business activities. These companies are involved because they see real economic benefits in building more prosperous local communities, tapping into a new pool of potential employees, or winning loyalty from a new customer segment.

Migration is becoming increasingly important to the private sector because immigrants form a substantial part of the labor force in destination countries (as discussed in Chapter 1). In developed economies, educational attainment has improved for native-born workers, changing their occupational preferences. This means that companies in many industries now look to immigrants to handle labor-intensive jobs. From the United States to Australia, companies in construction, hospitality, and health care rely heavily on an immigrant workforce. At the same time, companies also want to be able to hire highly educated candidates with specialized skills from anywhere in the world.

Integrating migrants into local labor markets ultimately comes down to the needs of domestic industries and individual companies. A concerted effort by the private sector to forecast labor needs and identify skill gaps can help governments create entry policies that are more purposeful about the mix and number of immigrants who are admitted; some may go even further and establish bilateral arrangements with origin countries. In the United States, the example of technology companies using H-1B visas to bring in highly sought-after engineering, programming, and technical talent is well known. In Canada, a 2010 parliamentary committee report brought together input from various industry associations and stakeholders, projecting the skill shortages that the country would likely face through 2020. Some of these shortages will likely be filled through temporary worker programs.[123]

Some companies have realized that by hiring immigrants, they can gain cultural knowledge that will position them to fill market gaps. Thales Canada, for example, is a multinational transportation and security technology company with overseas clients in Asia and the Middle East. It has focused on hiring employees who originate from the same countries as its clients, realizing that having a staff that understands the customers' cultures and values and can communicate in their language is a competitive advantage.[124]

Aside from their hiring needs, private-sector companies can think about immigrants as a market segment. Some have developed innovative products and services to profit while aiming to achieve social impact. One major area is financial inclusion, encompassing both access to financial services for immigrants such as loans and bank accounts, as well as and the development of platforms that help migrants send remittances to family members back home.

[123] *Temporary foreign workers and non-status workers*, Report of the Standing Committee on Citizenship and Immigration, House of Commons, Canada, May 2009; *Government of Canada response to the report of the Standing Committee on Citizenship and Immigration: Temporary foreign workers and non-status workers*, Parliament of Canada, 2010.

[124] "Thales targets international talent to ensure its position as a leader in transportation systems worldwide," Toronto Region Immigrant Employment Council, October 6, 2011.

For example, “Bank On San Francisco” is a public-private partnership that brought some 10,000 of the city’s 50,000 unbanked individuals into the financial mainstream.[125] The partnership comprises numerous local bodies, including the San Francisco Office of Financial Empowerment, the Federal Reserve Bank of San Francisco, and more than 170 local financial institutions, branches, and community-based organizations. Overall, it has enabled immigrants with no or poor banking history to open no- or low-fee accounts with no minimum balance. For remittances, new entrants into the market have significantly lowered transaction costs, reducing the once-hefty fees associated with these money transfers. Abra, for example, offers financial transfers from person to person through a mobile app, does not require a bank account, and imposes no fees.

The private sector can also lend its expertise in responding to humanitarian crises. The current Syrian refugee movement has been a rallying cry for some private-sector actors to get involved. Ikea, Uniqlo, Fujifilm, and other companies have supported the UNHCR’s efforts to meet the immediate humanitarian need through donations of shelters, clothing, and eyeglasses. While a multitude of companies have made financial donations, others are drawing on their business expertise and what they do best. UPS, using its package-tracking technology, has partnered with the UNHCR to track the shipment and delivery of goods and supplies to refugees globally. Bayern Munich is creating a training camp for teenage refugees that will teach soccer skills and donate sports equipment to participants.

Refugees need to connect with jobs, and this comes down to hiring decisions made by individual private-sector companies. Chobani, for example, has made a concerted effort to hire refugees for years. In 2015, the company’s CEO founded the Tent Foundation to encourage the private sector to bring its entrepreneurial power to bear on solutions to aid refugees around the world. The Tent Pledge has partnered with Airbnb, the Ikea Foundation, LinkedIn, Mastercard, UPS, Western Union, and other companies. In addition to donating directly to refugee relief organizations and providing in-kind goods and services, the organization hires refugees and offers them skills and language training or employment assistance. It also encourages partners to source products and services from companies that employ refugees and their destination communities. Moreover, the organization empowers local innovators across the world by funding entrepreneurs who are developing innovative solutions to refugee issues.

LinkedIn’s “Welcome Talent” initiative helps newly arrived refugees find jobs and internships in Sweden. The site provides resources in both Arabic and English, including potential opportunities and information on how to create an effective LinkedIn profile. Employers can post vacancies and internships on the site at no cost using a specific hashtag that makes it easy for incoming refugees to search.

For refugees who remain stuck in camps for long periods, the internet is a lifeline. The UNHCR’s Community Technology Access program aims to fill this need by providing access to computers, computer literacy training, and connectivity. Hewlett-Packard has funded and wired 57 centers in refugee camps across 26 countries. The company also created HP LIFE, a free online business and IT skills training program available in seven languages, as part of the program’s online learning platform.

[125] Bank On San Francisco.

Finally, companies are always concerned with skills development, and refugee children need to be part of that overall effort. Integrating them successfully into local schools so they do not fall behind in learning is one of the most critical challenges. To meet this need in Europe, Microsoft has made its YouthSpark Schlaumause (Arabic-to-German language training) program available to 3,000 elementary schools that serve approximately 30,000 refugee children, and in the coming months, the company plans to double the program's reach.

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The success or failure of integration efforts can reverberate for many years. In addition to shaping the quality of life for today's immigrant communities, they may influence whether second-generation immigrants become fully participating citizens or remain stuck in a poverty trap. The economic and humanitarian stakes associated with getting this right or getting it wrong are high. The countries that make integration a priority will be better positioned to generate better outcomes—for both their immigrant populations and their own economies.

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TECHNICAL APPENDIX

A. Data sources and regional classification

B. Segmentation and sizing methodology

C. Estimating the economic impact of migration

D. The impact of migration on native employment and wages

A. DATA SOURCES AND REGIONAL CLASSIFICATION

As noted in Chapter 1, Box 1, we discuss migration in terms of stock (i.e., the total number of people in each destination who were born in a different country) and change in stock numbers. For data on origin-destination pairs and the migration population associated with each pair, we use the 232 countries listed in the United Nations Department of Economic and Social Affairs (UNDESA) international migration stock 2015 revision. It is important to note that these UNDESA migrant stock numbers are midyear estimates; thus, throughout this report, we use midyear 2015 stock estimates.

Of the 232 countries in the UNDESA data set, the vast majority collect data on place of birth for the resident population via censuses and surveys; these data are collected by UNDESA on a country-by-country basis to determine the number of foreign-born people in each country.[126] In countries where the census includes irregular immigrants (e.g., the United States), these numbers are therefore also included in the stock data.[127] Similarly, the presence or absence of students in the data depends on individual censuses and surveys from each country; as a general rule, in most countries, only students who are in a destination for more than six months are counted.[128]

For the 46 destination countries that do not collect data on place of birth, citizenship numbers are used to estimate the number of foreign-born residents in each country.[129] In this case, if jus sanguinis citizenship rules apply in a destination country, then it is possible that some second- and third-generation immigrants would be counted as migrants rather than natives even if they were born in the destination. Overall, the migrant population in these 46 countries accounts for roughly 18 percent of the global total. Finally, since UNDESA data collection began in 1990, we use the World Bank estimates for earlier years.

The UNDESA international migrant stock 2015 revision provides a breakdown of refugees and asylum seekers and voluntary migrants by using data from the Office of the United

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[126] This set of countries that uses foreign-born population data from censuses contains all but two of the top 15 destination countries, including Australia, Canada, France, Germany, the United Kingdom, and the United States.

[127] For example, in the United States, there were an estimated 11.3 million undocumented immigrants, according to the Pew Research Center, and estimates by the Center for Immigration Studies indicate there could be 10.9 million to 15.7 million irregular immigrants in the United States. However, the Census Bureau notes that it is not possible to know how many of these individuals will have been counted in the US Census, and therefore it is not known how many are present in UNDESA data on migrant stock in the United States.

[128] In the United States, for example, foreign-born students attending college in the United States are included in the census.

[129] The top ten destinations among the group of 46 countries that utilizes citizenship data to estimate migrant stock numbers are Saudi Arabia, the United Arab Emirates, Jordan, Kuwait, Malaysia, Côte d'Ivoire, Japan, Oman, Qatar, and Belgium. The first five countries in this list account for 59 percent of the migrant stock in these destinations.

Nations High Commissioner for Refugees (UNHCR) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East. The data from the UNHCR, however, are from end of year 2014. Thus, to obtain more accurate 2015 stock numbers, we received 2015 UNHCR data on the total number of refugees and asylum seekers directly by contacting the UNHCR office, calculated the difference in stock number by origin-destination pair between 2015 and 2014, and added back this difference to the UNDESA 2015 revision to get updated global stock numbers for 2015. We use this updated data set for all analyses in this report.

The 232 countries from UNDESA are then classified by level of economic development and organized into regions. To determine a country's level of development, we use the World Bank 2015 definitions based on its gross national income per capita calculations.[130] Economies defined by the World Bank as low-income, lower-middle income, or upper-middle income are "developing" under our classification, and those defined as high-income are "developed" in our report.[131] For regional classifications, we split the world into eight developing regions and seven developed regions. The developing regions are China, India, the Middle East and North Africa, sub-Saharan Africa, South Asia (excluding India), developing East and Southeast Asia (excluding China), developing Eastern Europe and Central Asia, and developing Latin America. The developed regions are Western Europe, North America, the Gulf Cooperation Council (GCC) states, Oceania, developed East and Southeast Asia, developed Eastern Europe and Central Asia, and developed Latin America.[132]

For data relating to labor markets (such as working-age population share, active rates, unemployment rates), we bring together a few different sources. For overall origin and destination populations, we use the latest data available by country from the World Bank across a number of metrics (for example, GDP per capita, age by bracket, labor force participation rate, and unemployment rate). For migrant populations in destination countries within the OECD, we utilize the OECD Database on Immigrants in OECD and non-OECD countries (DIOC) 2010 revision. Finally, for data on income levels and skill levels, we utilize data available on a country-by-country basis (e.g., US Census Bureau 2015 Annual Social and Economic Supplement for the United States; Eurostat mean and median income by household type or educational attainment level for European countries).

B. SEGMENTATION AND SIZING METHODOLOGY

To segment migrants by type (i.e., voluntary vs. refugees and asylum seekers), length of stay, and skill level, we rely on a combination of data sources from UNDESA, UNHCR, UNESCO, and OECD. Migrants who stay in their destination for less than five years are considered short-term, while the rest are long-term. Migrants with some tertiary education or above are considered high-skill, those with less than secondary education are considered low-skill, and those in between are medium-skill. Given a lack of data on migrants in the developing

[130] The World Bank uses its Atlas method to define economies with a 2015 gross national income (GNI) per capita of $1,025 or less as low-income; lower-middle income economies have a GNI per capita between $1,026 and $4,035; upper-middle income economies have a GNI per capita between $4,036 and $12,475; and high-income economies are those with a GNI per capita of $12,476 or higher. We also break out the G7 countries from the high-income economies and call them "major developed" economies.

[131] Seventeen small states and islands are marked "Null" in the 2015 World Bank classification; these are all classified as developing nations for our report. Argentina was not classified by the World Bank in 2015, so we use the 2014 World Bank classification for Argentina as high income and therefore classify the country as developed.

[132] While we classify some entire regions as developing or developed, some individual countries within these regions are classified differently (e.g., Israel is classified as a developed nation but is in the Middle East and North Africa region, which is classified as developing; Papua New Guinea is classified as a developing nation but is in the Oceania region, which is classified as developed).

world, many of the estimates on skill level have been grounded in existing data from OECD nations or developed nations and extrapolated to worldwide migrant stock.

To begin, we obtained the number of refugees and asylum seekers from the latest UNHCR data set for 2015; the remaining migrants from the UNDESA 2015 stock numbers were classified as voluntary. Next, we determined the number of short-term migrants worldwide, broken down by skill level. First, we collected data on the number of tertiary-educated migrant students worldwide by destination country from UNESCO; these students were classified as short-term, high-skill migrants. We then used OECD-DIOC 2010 data to note the share of short-term migrants in each destination with some tertiary education or above. To make this more accurate, we also collected the latest numbers on intracompany transfers and posted workers in many major destinations, updating these numbers by destination accordingly. By adding these numbers, we came to an estimate of short-term, high-skill migrants.

For short-term, medium- and low-skill migrants, we also began by using OECD-DIOC 2010 data on the share of short-term migrants with less than tertiary education. We then updated these numbers with the latest OECD data on seasonal workers, as well as trainees and working holidaymakers in OECD countries. In addition, we obtained country-level data on temporary workers in major OECD destinations. By adding these numbers, we obtained an estimate for short-term, low-skill migrants.

Next, we collated data on circular migrants who spend parts of each year in their destinations, looking at low-skill migrants from South Asia without families working in GCC countries; within Mercosur countries; movement from Eastern Europe (e.g., Albania, Bulgaria, Romania, Ukraine) to Western European destinations; and from ASEAN nations to Oceania. Adding these numbers gave an estimate for the total number of short-term circular migrants worldwide.

The remaining migrants (i.e., anyone who was not classified by the above methodology as a refugee or asylum seeker, or a short-term migrant) were classified as long-term. To split this into high-skill vs. medium- and low-skill, we again utilized educational ratios from OECD-DIOC 2010 data. Thus, by region in OECD-DIOC 2010 destinations, we found the share of migrants with some tertiary education, and then applied these regional ratios to the overall numbers of long-term migrants from UNDESA 2015, by region. This gave a number for long-term, high-skill migrants. The rest were then classified as long-term, and medium- or low-skill.

C. ESTIMATING THE ECONOMIC IMPACT OF MIGRATION

Absolute contribution

To determine the absolute contribution of migrants to GDP in their destination countries, we first subdivide the global migrant population of 247 million by origin-destination pairs to obtain the total stock number for each corridor globally.[133] Each origin and destination is classified as developed or developing and sorted into a region as described in Chapter 1, Box 1. Corresponding GDP per capita estimates from 2014 are also obtained for each origin and destination.[134]

For each origin-destination pair, we convert the destination GDP per capita into a value we call "GDP per worker"—a measure of how much output each working person in the destination produces.[135] To obtain this measure, we look at three factors in each destination

[133] UNDESA international migration stock 2015 revision.

[134] World Bank, 2014 estimates revised June 2016.

[135] A working person is defined as anyone age 15 or older who is employed.

country: the share of the destination population that is of working age (defined as age 15 or above), the labor force participation rate (defined as the percentage of the working-age population that is either employed or actively looking for a job, also known as the active rate), and the likelihood of employment (defined as the percentage of the active population that is employed).[136] GDP per worker in the destination is then calculated by taking GDP per capita in the destination, and dividing by the product of the above three percentages. The resulting value can be interpreted as the output any single migrant could be expected to produce in a given destination before any adjustments due to skill level, productivity differences, or other factors.

Next, wherever possible, we split the migrant totals for each origin-destination pair into three segments: high-skill migrants, medium-skill migrants, and low-skill migrants. High-skill migrants are those who have completed tertiary education or above, medium-skill migrants are those who have completed upper secondary education but not tertiary education, and low-skill migrants are those who have completed lower secondary education or below.[137] For each skill segment, we apply an adjustment to the GDP per worker measure calculated in the previous step to account for variances in how much an individual migrant might produce compared with another migrant due to differences in skill and education (e.g., a high-skill migrant would likely contribute more to GDP in a given destination than a low-skill migrant).[138]

At this point in the calculation, we have the total number of migrants that arrive in each destination from each origin and the estimated contribution of each migrant in the destination based on skill level. We then remove the number of international tertiary-education students in each destination.[139] The next necessary data point is how many of these migrants in each destination are actually of working age and employed. To obtain this, we look specifically at the migrant population in each destination and pull in information on the share who are of working age, the percentage of working-age migrants who are active, and the percentage of active migrants who are employed.[140]

To arrive at an initial estimate for total contribution for migrants globally, we then multiply the GDP per worker for each skill level by the corresponding number of working-age and employed high-, medium-, and low-skill migrants for each origin-destination pair, and sum these results across all corridors.[141] However, as discussed in Chapter 2, migrants—

[136] Working-age share, labor force participation rate, and likelihood of employment (also calculated as 100 percent minus unemployment rate) are obtained from the World Bank, 2014 estimates revised June 2016.

[137] For countries that are members of OECD, this skill mix is calculated using education data for migrants from the 2010 Database on Immigrants in OECD Countries (DIOC) and the Database on Immigrants in non-OECD Countries (DIOC-E); for Gulf Cooperation Council countries, 2015 education data for migrants in Saudi Arabia are taken from the Saudi Arabia Central Department of Statistics and Information and applied to all GCC members; for all other destination countries, no segmentation into skill levels was performed.

[138] For EU-15 destinations, skill adjustment factors to GDP per worker were estimated from Eurostat data by comparing mean income for all workers across all education levels in the EU-15 countries to average income for workers at each of the three skill levels described in this appendix; for all other OECD and GCC destinations, adjustment factors were estimated from the latest US Census Bureau data by comparing mean income for all workers across all education levels in the United States to average income for workers at each of the three skill levels.

[139] Data on international tertiary education students by destination were obtained from UNESCO, http://data.uis.unesco.org/.

[140] Share of migrants who are of working age is obtained from UNDESA, 2015 revision for all destinations; for OECD countries, labor force participation rate and likelihood of employment are taken from OECD DIOC 2010; for GCC destinations, labor force participation rate is estimated to be 85 percent and likelihood of employment is estimated to be 100 percent; for non-OECD and non-GCC destinations, labor force participation rate for migrants is estimated to be 110 percent that of natives due to a higher active rate for migrants observed in the literature, and employment likelihood for migrants is estimated to be 99 percent that of natives due to a slightly lower employment likelihood for migrants observed in the literature.

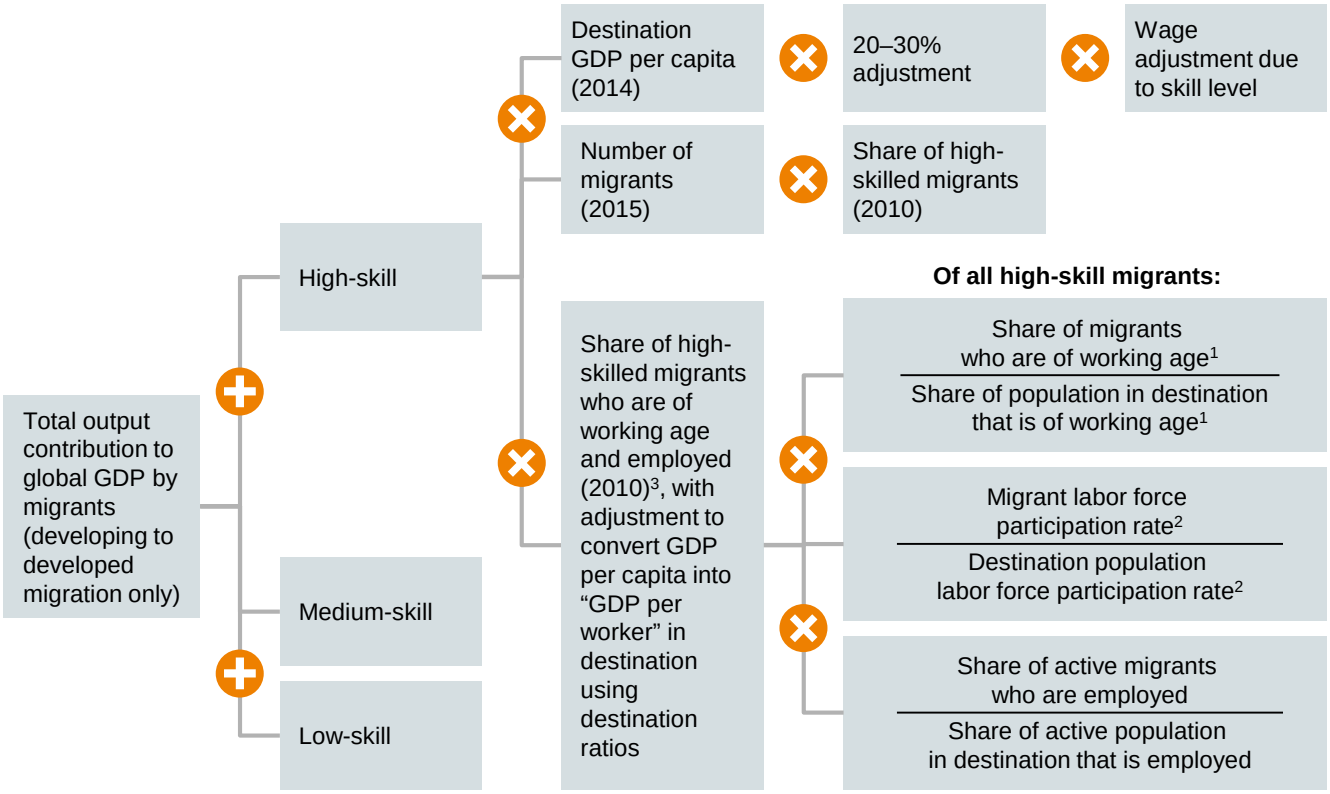
[141] For non-OECD and non-GCC destinations, absolute contribution before productivity adjustment was calculated by multiplying total number of migrants in each destination by percentage who were of working age, by labor force participation rate, and by employment likelihood as described in the previous footnote, and then multiplying by GDP per worker.

especially those from developing regions—tend to have lower wages than natives in developed countries. Therefore, to account for this effect, we simulate two scenarios and apply this to the above sum total. In the first, we estimate that migrants from developing origins who move to developed destinations will earn wages that are 20 percent less than those of natives. In the second, we increase this wage adjustment to 30 percent for these migrants. By applying these two percentages to the calculated GDP per worker for each origin-destination pair in our estimation, we obtain the absolute contribution range of $6.4 trillion to $6.9 trillion for migrants globally. (See Exhibit A1 for an illustration of this methodology.)

Exhibit A1

Conceptual approach to estimate the GDP contribution of migrants

For each origin-destination pair


Total output contribution to global GDP by migrants (developing to developed migration only)
High-skill
Medium-skill
Low-skill
Destination GDP per capita (2014)
Number of migrants (2015)
20–30% adjustment
Wage adjustment due to skill level
Share of high-skilled migrants (2010)
Share of high-skilled migrants who are of working age and employed (2010)3, with adjustment to convert GDP per capita into "GDP per worker" in destination using destination ratios
Of all high-skill migrants:
Share of migrants who are of working age1 / Share of population in destination that is of working age1
Migrant labor force participation rate2 / Destination population labor force participation rate2
Share of active migrants who are employed / Share of active population in destination that is employed

1 Share of population that is 15 years old or above.
2 Share of working-age population that is active (i.e., in the labor force, meaning either employed or looking for a job).
3 For working-age share we use UN and World Bank data for all countries; for active rate and employment likelihood rates we use OECD DIOC 2010 data for OECD countries, and for GCC given limited data availability we use World Bank 2014 data for Qatar (2010) and Kuwait (2014) applied to all GCC.

SOURCE: UNDESA 2015; OECD DIOC 2010; World Bank 2014; US BLS 2014; Eurostat 2014; IMF 2015; McKinsey Global Institute analysis

Finally, it is interesting to consider a scenario in which migrants are integrated more effectively than they are today across the world. To simulate this, we cut the migrant-native wage gap in our two scenarios to 5 percent and 10 percent, respectively. With this change, global output from migrants ranges from $7.4 trillion to $7.7 trillion—an increase of $800 billion to $1 trillion.

Incremental contribution

As noted in Chapter 2, the incremental contribution of migrants can be determined by comparing what migrants produce in each destination with what they would have produced in their origin country had they not migrated. To start, for each origin-destination pair, similar to what was done in the absolute contribution calculation, we calculate a GDP per worker

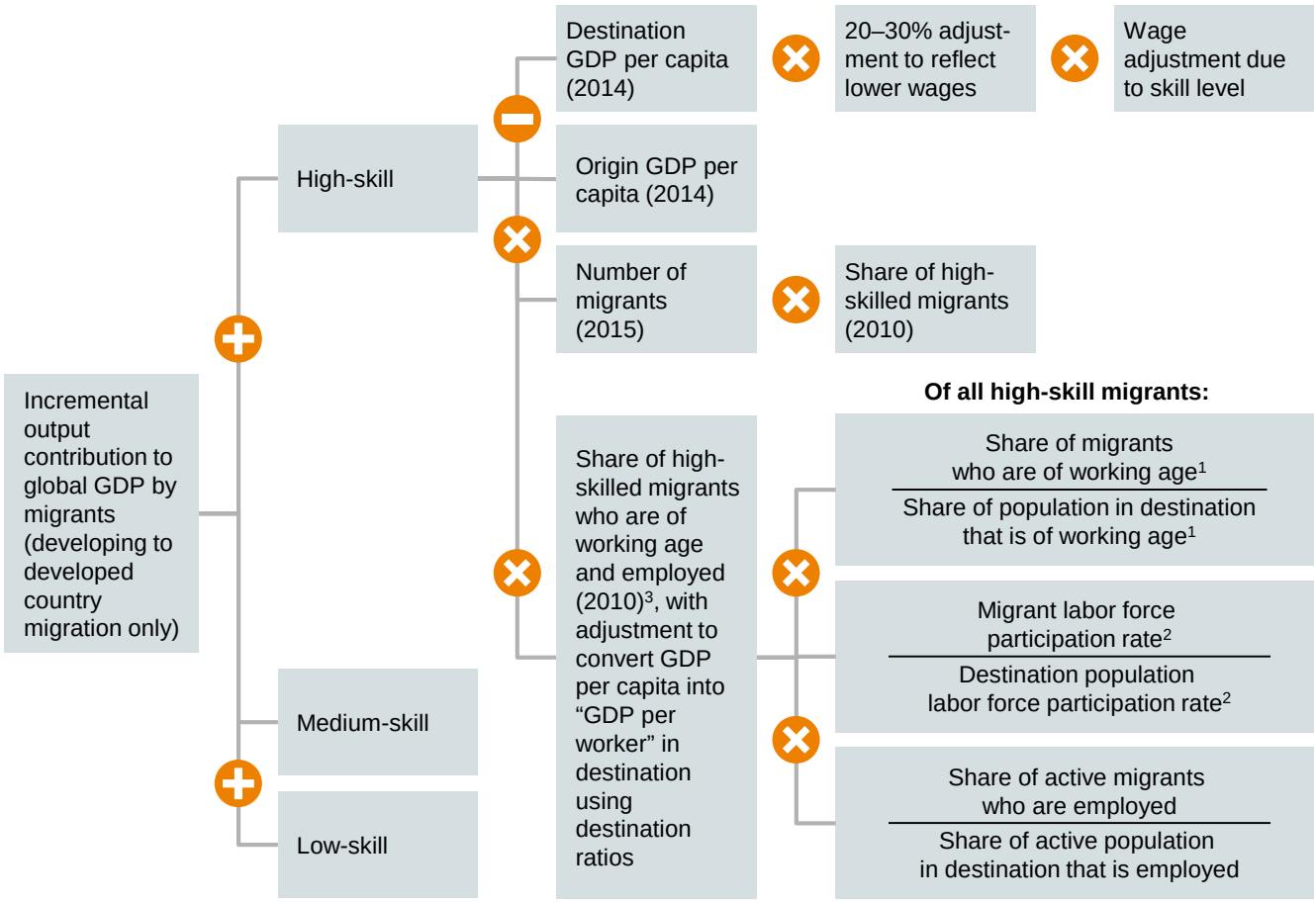
measure, but this time we do so for the origin rather than the destination. Thus, we take origin GDP per capita and adjust this using data for share of the origin population that is of working age, labor force participation rate for the origin population, and share of the active working-age population in the origin that is employed. Then, we multiply this by the number of migrants who would be expected to be employed had they stayed in their origin country, again splitting by skill mix where available and using the same migration stock data for each origin-destination pair as in the absolute contribution calculation.

In this report, we consider incremental contribution to be relevant primarily in the case of migration from developing to developed nations, as the productivity increase due to such movement (seen as a GDP per capita or GDP per worker increase) is most significant. Thus, to determine incremental contribution of migrants, we look at developing origin-developed destination pairs, and compare the summed-up expected output of migrants in their developing origins had they not moved to the summed-up expected output of migrants in their developed destinations in both the 20 percent and 30 percent productivity haircut scenarios. This results in the incremental contribution of $2.7 million to $3.1 million, respectively, from migrants shared in Chapter 2. (See Exhibit A2 for an illustration of this methodology.)

Exhibit A2

Updated approach for incremental output contribution

For each origin-destination pair


Incremental output contribution to global GDP by migrants (developing to developed country migration only)
High-skill
Medium-skill
Low-skill
Destination GDP per capita (2014)
Origin GDP per capita (2014)
Number of migrants (2015)
Share of high-skilled migrants who are of working age and employed (2010)3, with adjustment to convert GDP per capita into "GDP per worker" in destination using destination ratios
20–30% adjust-ment to reflect lower wages
Wage adjustment due to skill level
Share of high-skilled migrants (2010)
Of all high-skill migrants:
Share of migrants who are of working age1 / Share of population in destination that is of working age1
Migrant labor force participation rate2 / Destination population labor force participation rate2
Share of active migrants who are employed / Share of active population in destination that is employed

1 Share of population that is 15 years old or above.
2 Share of working-age population that is active (i.e., in the labor force, meaning either employed or looking for a job).
3 For working-age share we use UN and World Bank data for all countries; for active rate and employment likelihood rates we use OECD DIOC 2010 data for OECD countries, and for GCC given limited data availability we use World Bank 2014 data for Qatar (2010) and Kuwait (2014) applied to all GCC.

SOURCE: UNDESA 2015; OECD DIOC 2010; World Bank 2014; US BLS 2014; Eurostat 2014; IMF 2015; McKinsey Global Institute analysis

D. THE IMPACT OF MIGRATION ON NATIVE EMPLOYMENT AND WAGES

As noted in Chapter 2, a plethora of academic research indicates that immigration does not appear to harm employment rates or wages for native-born workers. As part of this research on migration, we have put together a meta-analysis of numerous academic studies, along with their findings on the topic (Exhibits A3 through A5). In fact, the most seminal study of migrant impact on native employment finds no effect, and this result was confirmed 25 years later by another leading labor economist.[142] In general, the impact on native employment and wages depends on three factors: the substitutability between migrant and native workers, the state of the destination economy, and the geographical region and the duration (short term or long term) over which the impact is measured.

If migrants are close substitutes for native workers, they negatively affect native employment and wages; this impact is sizable in the short term if other factors of production cannot adjust or if the region in which the impact is measured is small (e.g., at the city level). However, if migrant workers complement native workers, then the impact of migration is likely to be positive on both native employment and native wages. Empirically, in the long run, we see that the impact on destination employment and wages has been marginal.

Exhibit A3

Most empirical evidence points to migration having limited impact on native employment in the United States

Survey of immigration's employment effect for natives: United States

● Positive ● Negative ● Neutral

Study (year conducted)	Years studied	Employment effect[1] Percentage points	Timeframe of impact[2]
Card (1991)	1979–1985	● No significant impact	Short term
Card (2005)	2000	● No significant impact	Short term
Peri (2010)	1960–2000	● No significant impact	Short and long term
Peri and Sparber (2008)	1960–2000	● No significant impact	Long term
Altonji and Card (1991)	1970, 1980	● No significant impact	Long term
Basso and Peri (2015)	1970–2010	● No significant impact	Long term
Card (2001)	1989	● Employment rate: -0.12	Short term
Borjas et al. (2009)	1960–2000	● Employment rate for black men: -3.5	Long term
Smith (2012)	1970–2000	● A 10% increase in the number of low-skilled migrants reduced total average hours worked per year by ~3% for native teens aged 16–17	

1 Table shows percentage point change in native employment or unemployment due to a one percent increase in immigrants' share of population or labor force unless otherwise stated.
2 Short term = one to five years after influx or correlation over one to five years; long term = 6 years or more after influx or correlation over six years or more.

SOURCE: Literature search; McKinsey Global Institute analysis

[142] David Card, "The impact of the Mariel boatlift on the Miami labor market," *Industrial and Labor Relations Review*, volume 43, number 2, January 1990; Giovanni Peri et al., *The labor market effects of a refugee wave: Applying the synthetic control method to the Mariel boatlift*, NBER working paper number 21801, December 2015 (updated May 2016).

Exhibit A4

Empirical studies in Europe find that migration has limited impact on native employment

Select survey of key studies on immigration's employment effect for natives: European studies

Positive Negative Neutral

Study (year conducted)	Country	Years studied	Employment effect[1] Percentage points	Timeframe of impact[2]
Pischke and Velling (1997)	Germany	1986–89	No significant impact	Short term
Winter-Ebmer and Zweimüller (1997)	Austria	1988–91	No significant impact	Short term
Amuri et al. (2008)	Germany	1987–2001	No significant impact	Short term
Lemos and Portes (2008)	United Kingdom	2004–06	No significant impact	Short term
Bonin (2005)	Germany	1975–97	No significant impact	Long term
Dustmann et al. (2005)	United Kingdom	1983–2000	No significant impact	Long term
Lucchino et al. (2012)	United Kingdom	2002–10	No significant impact	Long term
Mühleisen and Zimmermann (1994)	Germany	1982–89	No significant impact	Unclear
Angrist and Kugler (2003)	European Economic Area	1983–99	Employment rate: -0.07 to -0.02	Short term
Gross (2002)	France	1975–95	Unemployment rate: -0.16	Long term

1 Table shows percentage point change in native employment or unemployment due to a one percent increase in immigrants' share of population or labor force unless otherwise stated.
2 Short term = one to five years after influx or correlation over one to five years; long term = 6 years or more after influx or correlation over six years or more.

SOURCE: Adapted from Kerr and Kerr, *Economic impacts of migration*, NBER, 2013; literature search; McKinsey Global Institute analysis

Exhibit A5

Most studies (with a few exceptions) find that migrants have marginal impact on the wages of native-born workers

Survey of immigration's wage effect for natives

	Study (year conducted)	Country	Years studied	Change in wages[1] Percentage points	Timeframe of impact[2]
Europe	Hunt (1992)	France	1968	-0.08 to -0.14	Short term
	Dolado et al. (1996)	Spain	1990–92	+0.02 to +0.04	Short term
	Brucker and Jahn (2010)	Germany	1975–2004	-0.1	Long term
	DeNew and Zimmermann (1994a)	Germany	1984–89	-0.16	Short term
	DeNew and Zimmermann (1994b)	Germany	1984–89	-0.35 (-0.54 to +0.12)	Short term
	Hatzius (1994)	Germany	1984–91	-0.058 to ±0	Long term
	Pischke and Velling (1994)	Germany	1985–89	±0 (+0.033)	Short term
	Gang and Rivera-Batiz (1994)	Netherlands	1986–89	-0.09 to +0.02	Short term
		Great Britain		-0.08 to +0.02	Short term
		France		-0.11 to -0.01	Short term
		Germany		-0.05 to +0.11	Short term
	Bauer (1997)	Germany	1994	+0.082	Short term
	Bauer (1998)	Germany	1994	-0.021 to +0.035	Short term
	Zorlu and Hartog (2005)	Norway	1996	-0.063 to +0.180	Short term
		Great Britain	1997–98	-0.036 to +0.056	Short term
		Netherlands	1998	-0.04 to +0.02	Short term
	Dustmann, Frattini, and Preston (2012)	Great Britain	1997–2005	-0.63 to +0.67	Long term
North America and other	Pope and Withers (1993)	Australia	1881–1981	±0	Long term
	Goldin (1994)	United States	1890–1921	-1.6 to -1.0	Long term
	Borjas (2003)	United States	1960–2001	-0.4 to -0.3	Long term
	Borjas, Freemanm, and Katz (1992)	United States	1967–87	-1.2	Long term
	Grossman (1982)	United States	1970	-0.1	Short term
	Altonji and Card (1991)	United States	1970–80	-0.86, -1.2	Long term
	LaLonde and Topel (1991)	United States	1970–80	-0.6 to -0.1	Long term
	Card (2001)	United States	1989	-0.04 to -0.01	Short term
	Friedberg (2001)	Israel	1994	+0.03	Short term

1 Table shows percentage change in wages with respect to a one percent increase in the share of immigrants in labor force (or population).
2 Short term = one to five years after influx or correlation over one to five years; long term = 6 years or more after influx or correlation over six years or more.

SOURCE: Adapted from Kerr and Kerr, *Economic impacts of migration*, NBER, 2013; literature search; McKinsey Global Institute analysis

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